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Comprehensive Annual Financial Report

City of Biloxi
Biloxi, Mississippi

Fiscal Year Ended September 30, 2004

PILTZ,
WILLIAMS,
LAROSA
&
COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

Comprehensive Annual Financial Report

City of Biloxi
Biloxi, Mississippi

Fiscal Year Ended September 30, 2004

Prepared by the
Administration Department

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2004
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Section I

Introductory Section

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2004

Elected Officials

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

Appointed Officials

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

Letter of Transmittal

Mayor
A. J. Holloway

Council Members
George Lawrence, Ward 1
Eric E. Dickey, Ward 2
Arlene Canaan, Ward 3
Charles T. Harrison Jr., Ward 4
Mike Fitzpatrick, Ward 5
Tom Wall, Ward 6
David Fayard, Ward 7

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

March 7, 2005

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, 2004. The Administration Department of the City of Biloxi is responsible for the information presented in this report. We believe that the accompanying information is accurate and complete and fairly presents the financial position of the municipal government of the City of Biloxi as of September 30, 2004 and results of operations for the fiscal year then ended.

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 and Company, 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 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.

This report is divided into the following sections:

- **The Introductory Section** - contains the Listing of City Officials, Letter of Transmittal and an Organizational Chart.

- **The Financial Section** - contains the report of the City's independent auditors; management's discussion and analysis; government-wide financial statements; fund financial statements; notes to the financial statements; combining and individual fund statements; and supplementary information.

- **The Statistical Section** - contains several schedules of historical and financial information and other statistical data concerning the City of Biloxi.

- **The Compliance Section** — contains the independent auditor's reports on compliance with laws and regulations and the auditor's consideration of the City's internal controls over financial reporting and compliance with laws and regulations.

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. After determining that the revenue projections in the budget are sound and that the proposed spending is necessary to provide the level of services and to accomplish the program goals and capital improvements proposed by the administration, the City Council will publish the proposed budget and invite public comment on the taxing and spending plan at a special public hearing. After considering public input, the Council adopts a budget for the coming year and sets the property tax rate at a level that will generate the property tax revenue projected in the budget.

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

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

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

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

Economic Condition and Outlook

During the fiscal year ended September 30, 2004, the City's major revenues, property tax, sales tax and gaming tax, remained strong with a slight decline in ad valorem tax offset by increases in sales tax and gaming tax. (Fig. 1).

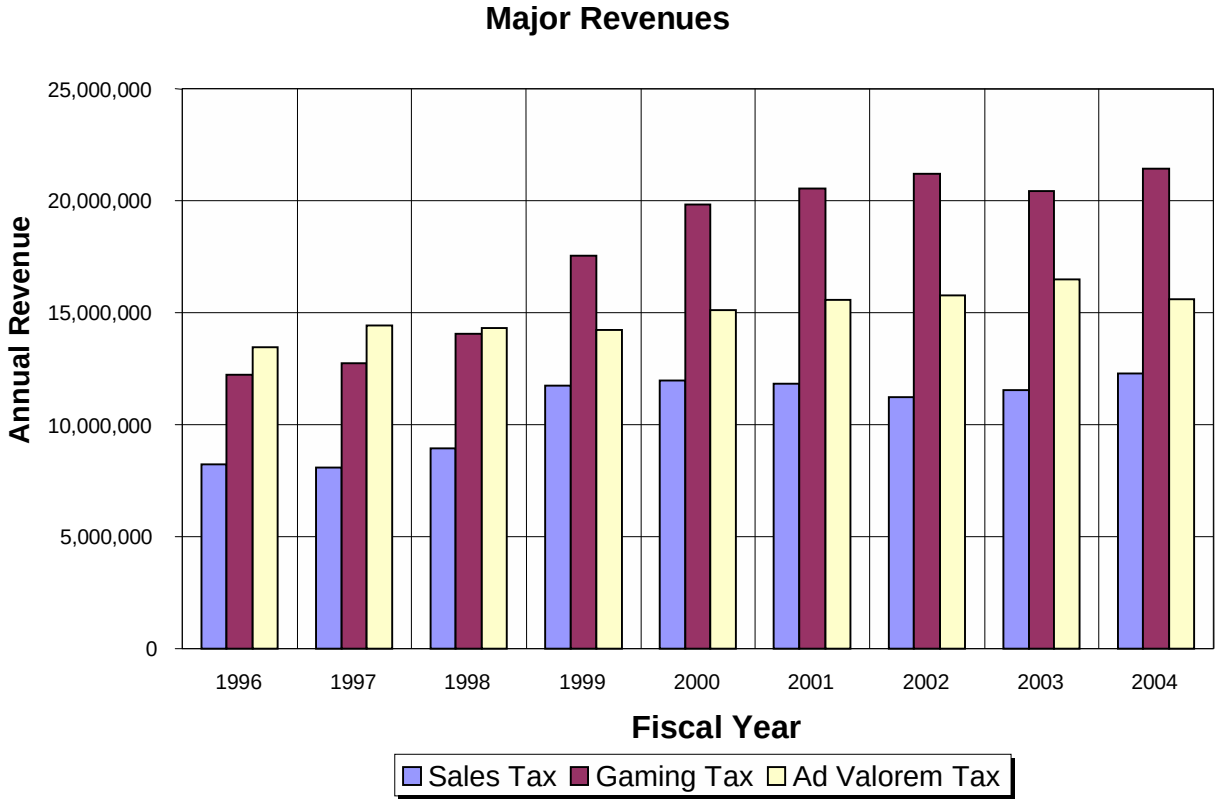


Figure 1

The City's share of local taxes on casino gaming has allowed Biloxi's governing authority to keep growth in property tax revenue low while increasing municipal services and capital spending. In the eight years since 1996, annual ad valorem tax revenue increased from 13.5 million per year to 15.6 million per year. This increase of 16%, over eight years, equates to an average annual growth in ad valorem tax revenue of 2% per year. During the same eight year period, the total assessed value of taxable property doubled. The chart below demonstrates how the City managed growth of ad valorem tax revenue by adjusting its tax rate downward to offset the increases in total assessed value.

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

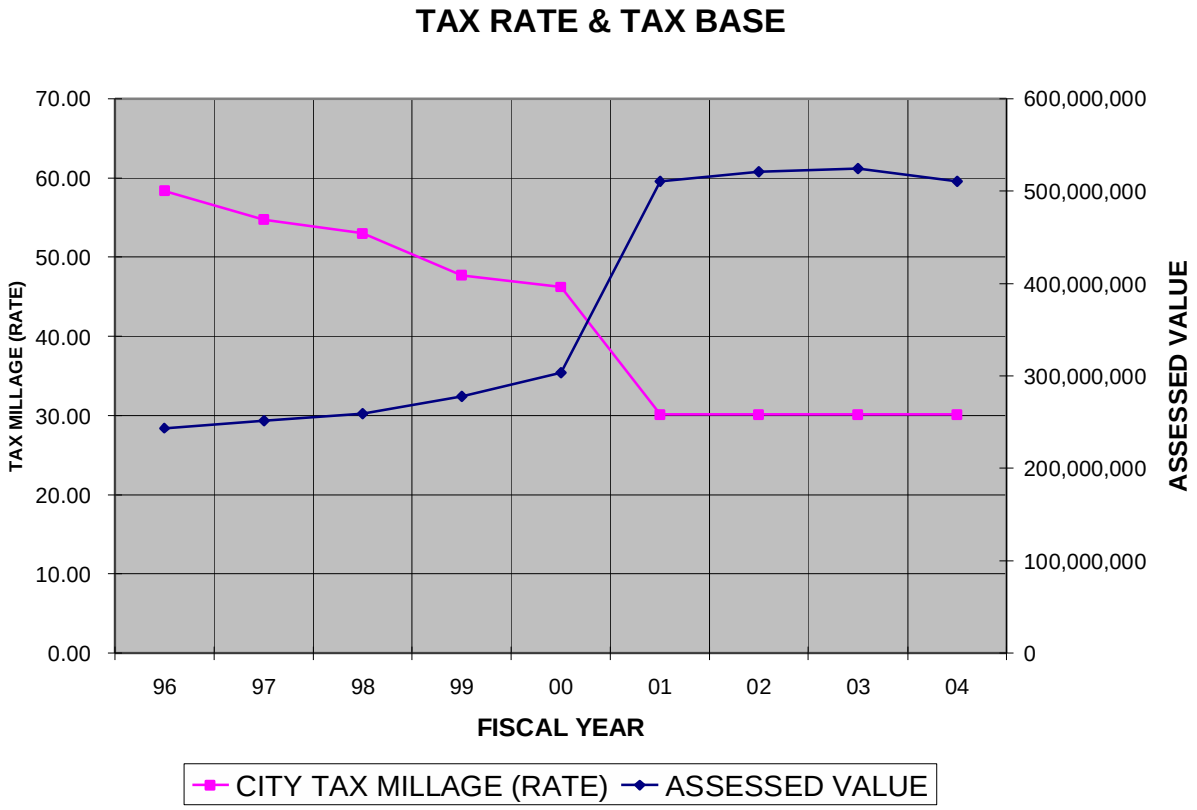


Figure 2

During fiscal year 03/04, the City issued 1,536 building permits with a total valuation of $249,881,633. The value of building permits issued increased 108% over the prior fiscal year (Fig. 3).

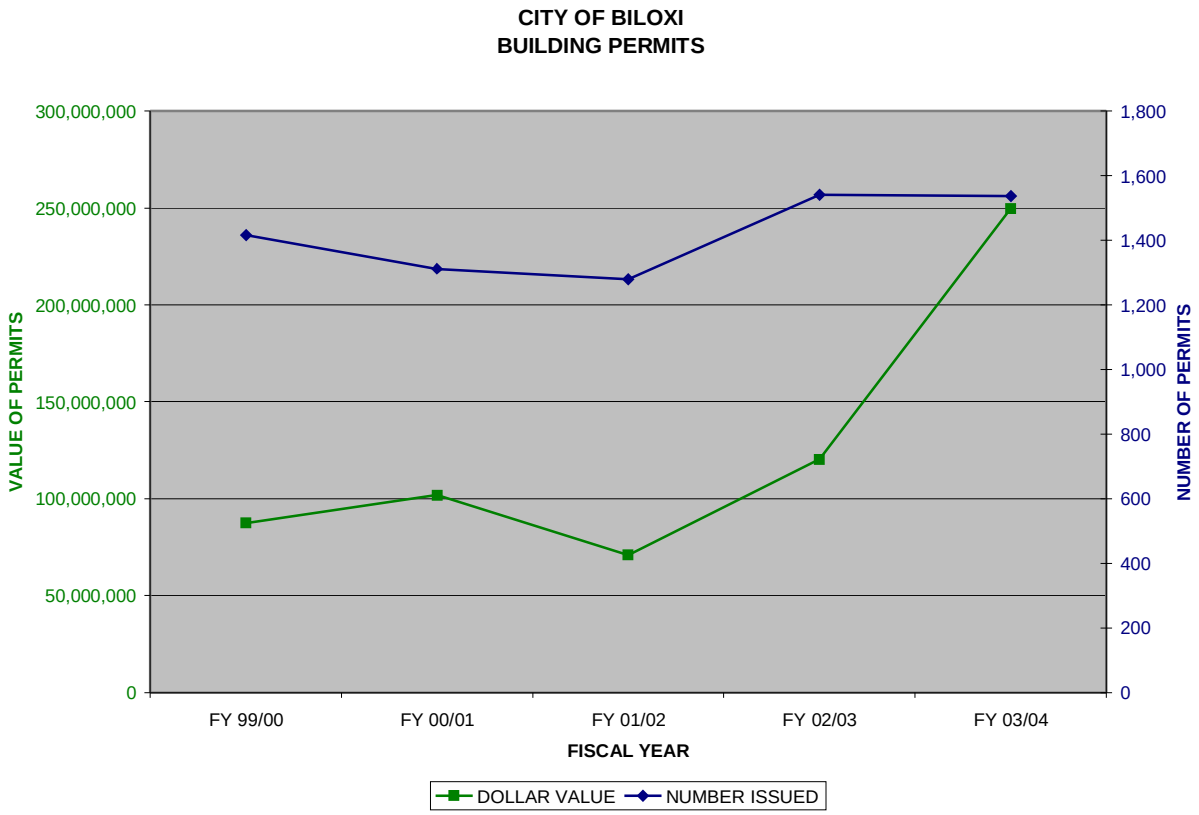


Figure 3

According to Labor Market Data September 2004 published by the Mississippi Department of Employment Security, unemployment in the City of Biloxi averaged 5.4% during fiscal year 03/04. During the same period, unemployment percentages averaged 4.1% in the Biloxi, Gulfport, and Pascagoula Metropolitan Statistical Area.

General Governmental Revenues

General governmental funds are used to account for most City functions and operations including the various City departments, the City's retirement funds, Community Development Block Grants, capital projects, and the City's debt payments. Figure 4 illustrates the relative amounts of various general governmental revenues for the fiscal year 03/04. The City's three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax.

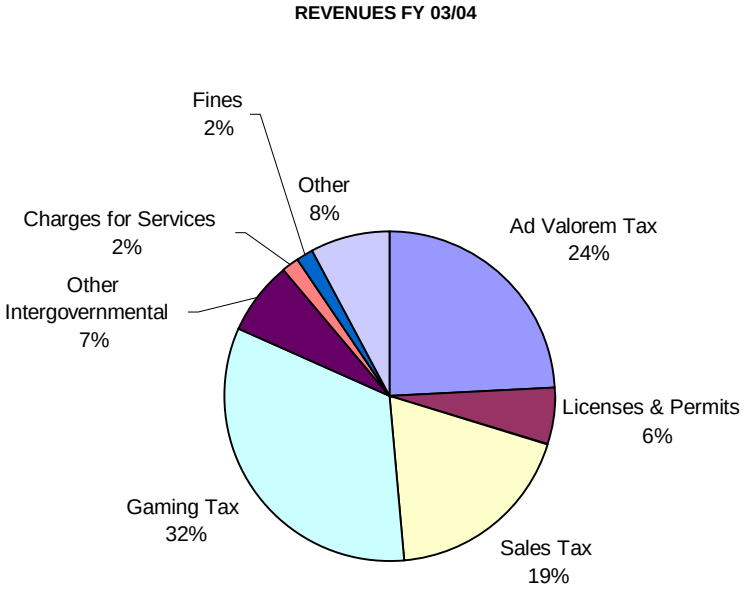


Figure 4

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

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

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

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

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

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

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

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

House Bill 1504 also provided for a licensing fee of $150, annually, for each gaming device. In addition to local taxes, casinos pay a tax of 8% on gross gaming revenue to the state of Mississippi.

Figure 5 illustrates the trend in annual totals for each of the City's revenue sources. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the single largest revenue source for the City.

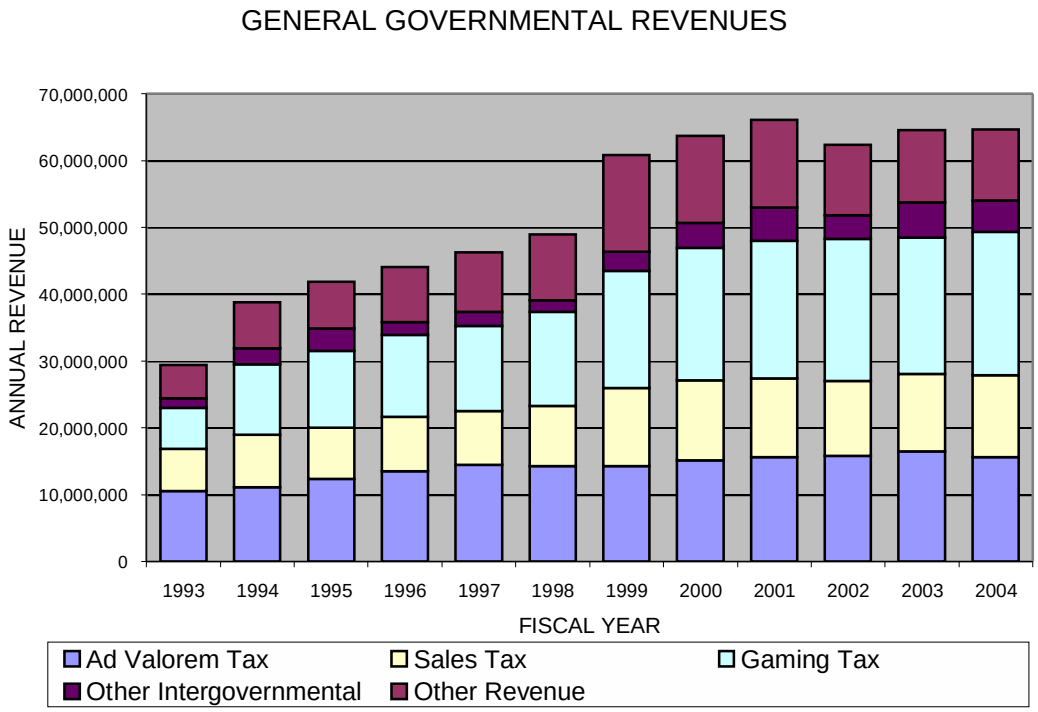


Figure 5

General Governmental Expenditures

Figure 6 illustrates the trends in City spending for general governmental functions. Public safety and capital projects are the largest expenditure categories of the City.

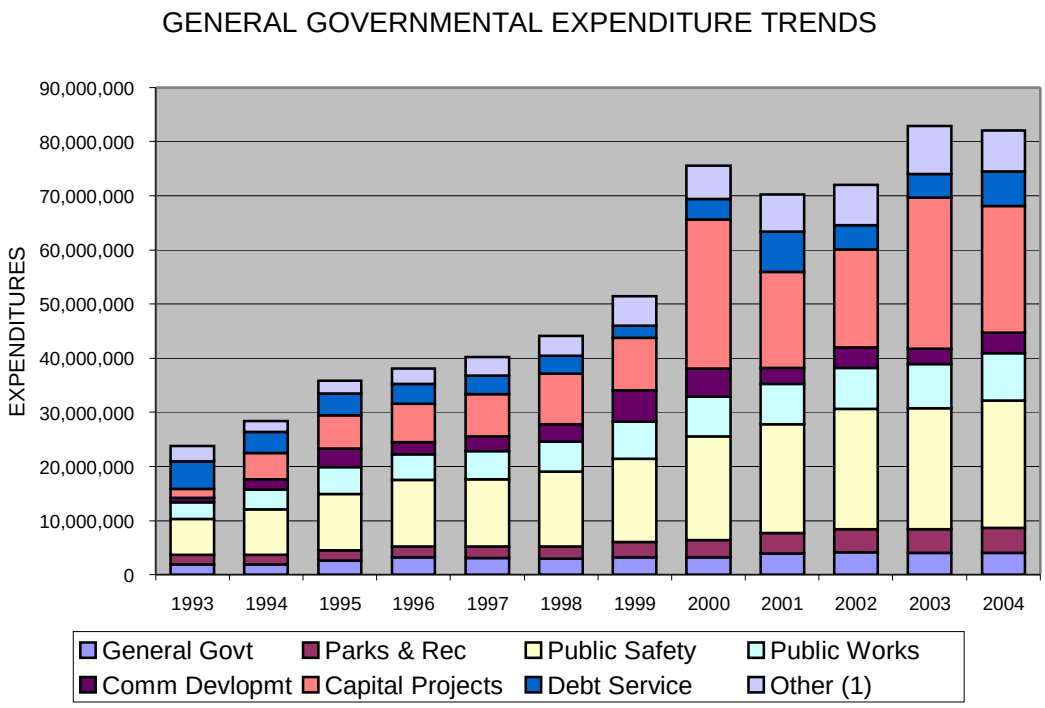


Figure 6

Figure 7 illustrates the relative amount of total expenditures for each general governmental function for the fiscal year 03/04.

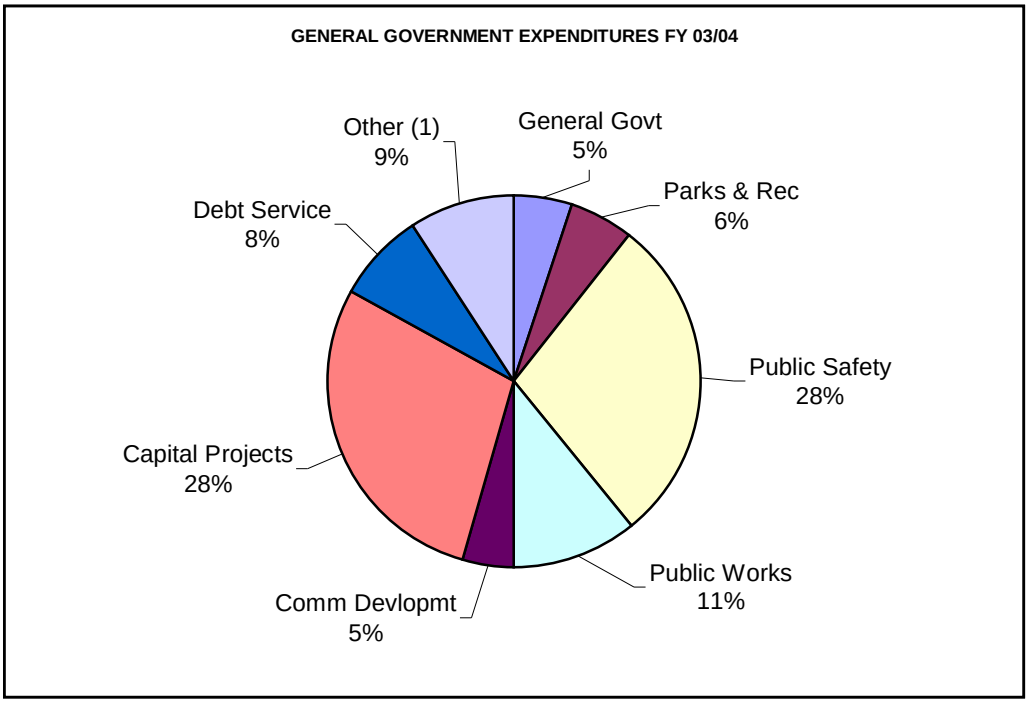


Figure 7

Debt Management

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

Cash Management

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

Risk Management

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

Major Initiatives

During FY 03/04 the City expended $21.4 million on capital projects and completed 24 capital projects with accumulated cost of $26.4 million. At the end of fiscal year 03/04 the City had 60 capital projects in progress with project budgets totaling $90 million. Major projects in progress at the end of FY 03/04 included Caillavet Street, East Biloxi Streets Upgrade, The Biloxi Sports Complex, Causeway Park, Elevated Water Tanks, Sunkist Drainage, Fire Station Construction, and Popps Ferry Road.

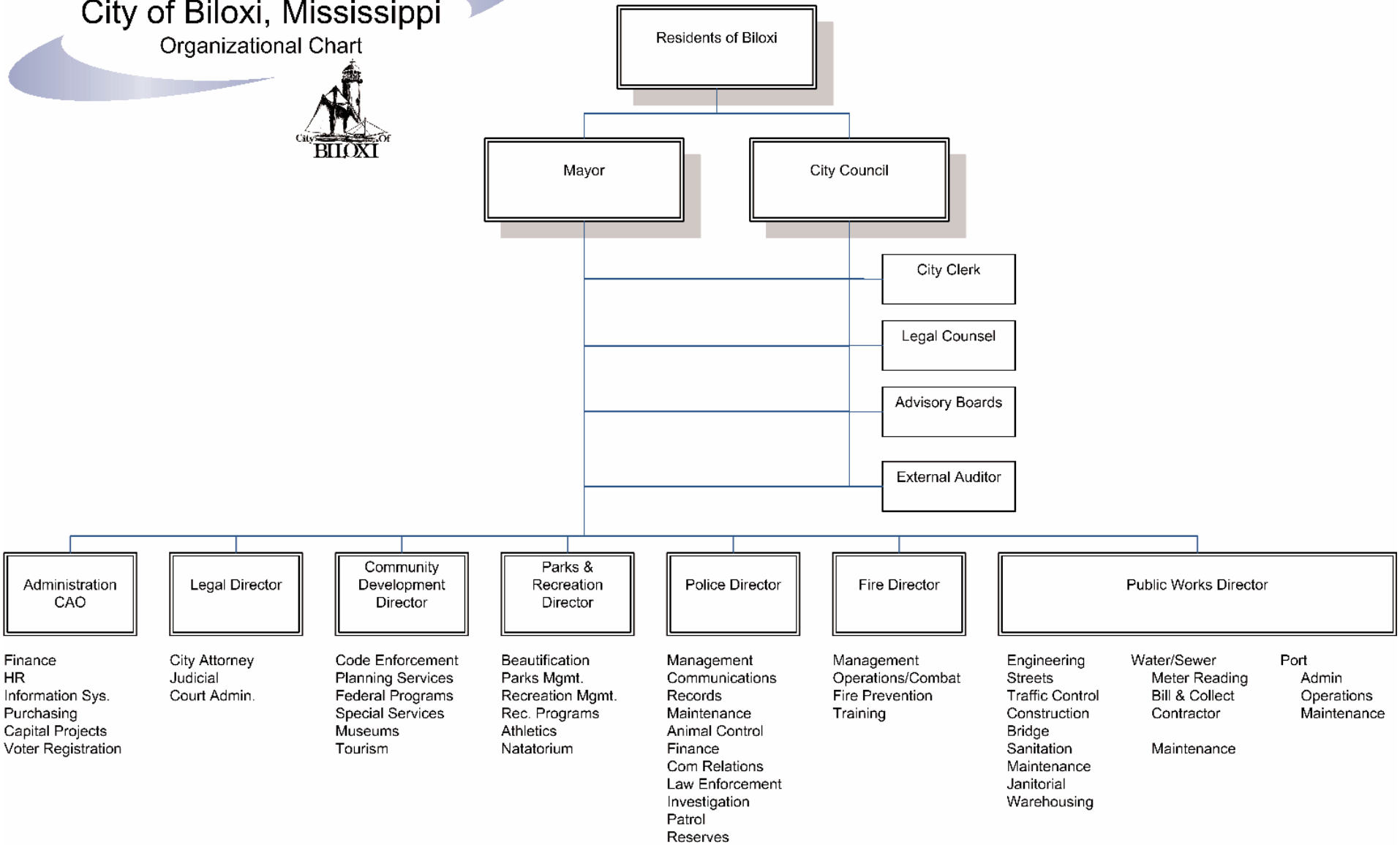
Respectfully submitted,

W. L. Lanham

W. L. Lanham, Controller

City of Biloxi, Mississippi

Organizational Chart



Section II

Financial Section

Independent Auditors' Report

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2004 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, 2004, 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 G***overnment Auditing Standards***, we have also issued our report dated January 13, 2005, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 21 through 26 and 79 through 84, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Certified Public Accountants

Biloxi, Mississippi
January 13, 2005

Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

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

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

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

In the fund financial statements, each of the City's major funds is presented in a separate column. The City's non-major funds are combined and the totals presented in one column. The distinction between governmental type activities and proprietary type activities is maintained through the presentation of separate statements for these two types of funds. The major governmental funds presented are the City's General Fund, the Debt Service Fund, the 2002 TIF Capital Projects Bond Fund and the General Capital Projects Fund. The City's Water and Sewer Fund and Port Fund are presented as major funds along with the single non-major fund — The Point Cadet Development Corporation, in the Statement of Net Assets — Proprietary Funds, the Statement of Revenues, Expenses and Changes in Net Assets — Proprietary Funds, and the Statement of Cash Flows — Proprietary Funds.

Governmental Funds are used to account for governmental functions of the City of Biloxi including administration, executive, legislative, legal (general governmental activities), public safety, public works, parks and recreation, public health and welfare, capital projects and debt

service. 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.

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

Condensed Data — Governmental And Business-type Activities

Table 1
City of Biloxi
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 55,268,305	$ 63,454,505	$13,629,504	$13,896,739	$ 68,897,809	$ 77,351,244
Capital assets	181,580,298	165,691,611	46,453,267	44,325,733	228,033,565	210,017,344
Total assets	$ 236,848,603	$229,146,116	$60,082,771	$58,222,472	$296,931,374	$287,368,588
Current & other liabilities	$ 8,561,430	$ 5,612,663	$ 1,242,373	$ 1,775,993	$ 9,803,803	$ 7,388,656
Long-term liabilities	70,351,808	68,673,249	6,132,870	6,854,859	76,484,678	75,528,108
Total liabilities	78,913,238	74,285,912	7,375,243	8,630,852	86,288,481	82,916,764
Net assets						
Investment in capital assets net of related debt	115,566,223	105,815,862	40,657,098	38,264,097	156,223,321	144,079,959
Restricted	22,015,077	21,906,281	2,127,659	2,180,011	24,142,736	24,086,292
Unrestricted	20,354,065	27,138,061	9,922,771	9,147,512	30,276,836	36,285,573
Total net assets	$ 157,935,365	$154,860,204	$52,707,528	$49,591,620	$210,642,893	$204,451,824

Capital assets include the depreciated cost of the City's buildings, land, infrastructure (streets, drainage, lighting and signals), ports, harbors, vehicles, equipment and furnishings. Capital assets, net of the outstanding debt incurred to acquire them, comprises 74% of the City's total net assets. A portion of the City's net assets are restricted to expenditure for specific purposes such as on-going capital projects and debt payments. The remaining, unrestricted net assets may be used by the governing authority to provide future services.

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	$ 6,591,571	$ 7,125,198	$ 11,311,206	$11,205,964	$ 17,902,777	$ 18,331,162
Operating grants	1,254,752	1,649,026			1,254,752	1,649,026
Capital grants and contributions	1,969,950	1,622,550	406,216	203,684	2,376,166	1,826,234
General revenues						
Property taxes	15,621,385	16,494,797	987,051	1,002,945	16,608,436	17,497,742
Sales taxes	12,294,618	11,551,426			12,294,618	11,551,426
Gaming taxes	21,441,126	20,428,337			21,441,126	20,428,337
Franchise taxes	2,555,738	2,619,001			2,555,738	2,619,001
Other revenue	3,785,314	3,199,403	128,965	473,571	3,914,279	3,672,974
Total revenues	65,514,454	64,689,738	12,833,438	12,886,164	78,347,892	77,575,902
Expenses						
General government	4,494,668	4,998,883			4,494,668	4,998,883
Parks and Recreation	5,718,522	6,315,711			5,718,522	6,315,711
Public safety	26,638,158	25,810,017			26,638,158	25,810,017
Public works	9,706,107	9,525,166			9,706,107	9,525,166
Community development	8,326,850	6,413,034			8,326,850	6,413,034
Unallocated depreciation	1,664,522	1,664,522			1,664,522	1,664,522
Interest on long-term debt	2,898,309	2,450,726			2,898,309	2,450,726
Water and sewer service			10,662,616	10,224,620	10,662,616	10,224,620
Port Fund activities			2,024,677	2,315,718	2,024,677	2,315,718
PCDC activities			22,394	46,885	22,394	46,885
Total expenses	59,447,136	57,178,059	12,709,687	12,587,223	72,156,823	69,765,282
Increase (decrease) in net assets before transfers	6,067,318	7,511,679	123,751	298,941	6,191,069	7,810,620
Transfers	(2,992,157)	(3,861,291)	2,992,157	3,861,291		
Net increase (decrease) in net assets	3,075,161	3,650,388	3,115,908	4,160,232	6,191,069	7,810,620
Net assets, beg of year - as restated	154,860,204	151,209,816	49,591,620	45,431,388	204,451,824	196,641,204
Net assets, end of year	$157,935,365	$154,860,204	$ 52,707,528	$49,591,620	$ 210,642,893	$ 204,451,824

Overall financial position and results of operations

The net assets of governmental activities increased by $3,075,161 after transfers of net assets to business type activities of $2,992,157. These transfers were contributions from the City's General Fund to water and sewer system and Port Fund capital projects. The net assets of business type activities would have increased by $123,751 during FY 03/04, had the General Fund not contributed part of the cost of water and sewer capital projects.

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 03/04 with a General Fund balance of $28,637,152 and ended the year with a fund balance of $21,469,242. The decrease is attributable to the use of General Fund cash, to pay for capital project expenditures. During FY 03/04, the City transferred $13,085,878 of General Fund cash to the City's Capital Projects Fund to pay project expenses.

Concurrent with the inception of legal gaming in 1992, the annual, ending fund balance of the City's General Fund began to increase due to rapid growth in revenues, especially the gaming tax. In the first few years after the advent of Biloxi's casino gaming industry, the governing authority

dedicated the gaming tax revenue to capital projects including those projects that were needed to accommodate the industry. The size and number of these projects and the constraints of engineering, planning, staffing and acquisition extended the expenditure of budgeted capital project monies over several years. The lag between the appropriation of resources and actual completion of projects caused a temporary accumulation of fund balance in the City's general fund. At September 30, 2003, the City's General Fund ending fund balance, measured on the budget basis, was $24,680,694.

The City's progress on its capital projects and the eventual easing of the restriction of gaming tax to capital project funding has reduced the accumulated surpluses (fund balance) in the General Fund to $17,368,121 (budget basis). Over the next few years, the City's accumulated surpluses should continue to decline as the capital projects are completed. Operating surpluses are no longer being budgeted in the City's General Fund because gaming tax revenues are now being utilized to fund General Fund operations.

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

Debt Service Fund — At September 30, 2004, the fund balance of the Debt Service Fund was $5.5 million dollars. City management built the fund balance to provide working capital to pay principal and interest on bonded debt that matures in the early months of the fiscal year, October through January, before the bulk of ad valorem tax revenue is received by the City. Ad valorem tax revenue is the primary resource of the Debt Service Fund, therefore the amount of working capital in the fund is directly attributable to the relationship between the amount of debt service maturing during the year and the ad valorem tax millage levied for debt service.

Water and Sewer Fund — Revenues and other Water and Sewer Fund resources were adequate to pay the cost of operations and debt service. However, revenues were not adequate to cover depreciation of system assets. The Water and Sewer Fund paid $153,000 of the $2,619,000 expended for improvements in the water and sewer system during FY 03/04. $2.5 million of water and sewer capital projects spending was funded from the City's General Fund and bond proceeds. Shortly after the end of the fiscal year 02/03, the governing authority raised water and sewer rates to provide for increases in operating expenses and to provide a cushion for the cost of future replacement of system assets.

Biloxi Port Fund — During the current fiscal year, the Biloxi Port Commission was dissolved into the City of Biloxi / Biloxi Port Fund. For additional information regarding this transaction, see Detail Note I — B (2). The City assumed all assets, liabilities and operations inasmuch as the Port Commission had significant going concern issues. During the first year of operations reported in these financial statements, the City advanced funds into the Port's revenue bond debt service accounts sufficient enough to bring the required deposits into compliance with bond covenants. The City also significantly reduced operating expenditures to the point where the Biloxi Port Fund ended the year with a positive cash flow from operations in the amount of $74,471. Additionally, the City advance funds necessary to complete construction projects that had previously been delayed due to lack of funding.

Budget Variances in the General Fund

During FY 03/04 the City Council passed forty-seven resolutions amending the City's budget. Twenty-five of these budget amendments increased Capital Project spending by $2,930,283. The amendments to General Fund expenditure appropriations increased total appropriations by $806,718. These increases were $190,000 for Non-Departmental expenditures, $55,000 to increase the budget for legal expenses in the Administration Department, $249,257 of new grant expenditures, a $263,461 increase in Public Works to assume responsibility for maintenance and operations of bridges; and a $49,000 increase in insurance expense to purchase marine operator's liability insurance. The City Council's amendments to the original, General Fund revenue budget totaled $305,670 to add new grants received during the year.

Capital Assets Activity

During FY 03/04 the City spent $24,681,714 for capital asset acquisition and construction. Of this amount $21,449,704 was expended for construction projects. Construction projects with accumulated costs of $26,549,170 were completed including the following:

Caillavet Acquisitions	$ 9,694,949
Bayview Acquisitions	2,903,080
Popps Ferry Acquisitions	1,402,397
North Biloxi Water Tank	5,113,681
Edgewater Phase 3	1,371,580
Popps Ferry Rd Phase 3B	3,572,630
First Street Reconstruction	1,329,000
Saenger Theatre Phase 4	912,752

See Detail Note III — F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2004.

Long-term Debt

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds and notes, four limited obligation bond issues, one limited obligation note, and four pollution control loans. These outstanding debts totaled $66,401,217 at the beginning of the fiscal year 03/04. During the year, the City issued $9,800,000 General Obligation Bonds, Series 2003.

During the fiscal year 03/04, the City paid $4,390,972 of principal and $3,102,830 of interest on all debt. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

State laws limit the amount of debt a municipality may incur. General obligation bonded debt, excluding debt issued for utility purposes, is limited to 15% of assessed valuation. The City's assessed valuation for tax year 2004 (taxes to be collected fiscal year 04/05) was $522,010,077; therefore, the limit on general obligation bonded debt during the year was $78,301,512. The City's outstanding general obligation bonded debt totaled $32,766,849 at September 30, 2004. All debt, excluding utility revenue debt and tax increment financing bonds, is subject to a limit of 20% of assessed value. This 20% limit is $104,402,015. The City's outstanding debt subject to the 20% limit was $39,025,245 at September 30, 2004.

When a governmental entity issues bonds, it may obtain a rating from one or more of the bond rating agencies. The rating is a measure of the issuer's ability to repay the debt and provides a means whereby investors may measure the risk of their investment in the bonds. The latest rating given to a City of Biloxi bond issue by Standard and Poor's Ratings Group was a rating of " A" .

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

Contact Information

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

Basic Financial Statements

City of Biloxi, Mississippi

Statement of Net Assets

September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 26,703,037	$ 8,621,393	$ 35,324,430
Investments	20,413,515	2,006,134	22,419,649
Receivables:			
Taxes	4,442,250		4,442,250
Customer accounts, net	56,397	1,233,022	1,289,419
Grants and other	2,659,524	11,122	2,670,646
Prepaids	678,078	293,721	971,799
Inventories	49,058	113,039	162,097
Mortgage loans receivable	201,529		201,529
Land inventory	64,917		64,917
Restricted assets			
Cash and cash equivalents		1,351,073	1,351,073
Capital assets			
Land and construction in progress	69,499,580	2,233,526	71,733,106
Other (net of accumulated depreciation)	112,080,718	44,219,741	156,300,459
Total assets	236,848,603	60,082,771	296,931,374
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	3,313,567	333,822	3,647,389
Internal balances	216,968	(216,968)	
Deferred revenue	468,082	67,030	535,112
Payable from restricted assets			
Accounts payable		25,622	25,622
Customer deposits payable		1,032,867	1,032,867
Noncurrent liabilities			
Due within one year			
Bonds and notes	4,322,238	798,238	5,120,476
Compensated absences	1,084,433	9,175	1,093,608
Claims payable	4,562,813	300,000	4,862,813
Due beyond one year			
Bonds and notes	61,691,837	4,997,931	66,689,768
Compensated absences	3,253,300	27,526	3,280,826
Total liabilities	78,913,238	7,375,243	86,288,481
Net assets			
Invested in capital assets, net of related debt	115,566,223	40,657,098	156,223,321
Restricted for:			
Debt service	5,549,995	1,068,144	6,618,139
Capital improvements	16,439,963	1,059,515	17,499,478
Endowment, expendable	25,119		25,119
Unrestricted	20,354,065	9,922,771	30,276,836
Total net assets	$ 157,935,365	$ 52,707,528	$ 210,642,893

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, 2004

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	$ 4,494,668	$ 37,828	$ 33,608	$ -	$ (4,423,232)	$ -	$ (4,423,232)
Parks and Recreation	5,718,522	477,684	8,463	899,119	(4,333,256)		(4,333,256)
Public Safety	26,638,158	1,166,560	674,199		(24,797,399)		(24,797,399)
Public Works	9,706,107	614,340	17,005	472,370	(8,602,392)		(8,602,392)
Community Development	8,326,850	4,295,159	521,477	598,461	(2,911,753)		(2,911,753)
Unallocated Depreciation, Infrastructure	1,664,522				(1,664,522)		(1,664,522)
Interest and Other, Long-Term Debt	2,898,309				(2,898,309)		(2,898,309)
Total Governmental Activities	59,447,136	6,591,571	1,254,752	1,969,950	(49,630,863)		(49,630,863)
Business-Type Activities							
Water and Sewer	10,662,616	9,566,541		176,778		(919,297)	(919,297)
Biloxi Port Fund	2,024,677	1,723,490		229,438		(71,749)	(71,749)
Point Cadet Development Corporation	22,394	21,175				(1,219)	(1,219)
Total Business-Type Activities	12,709,687	11,311,206		406,216		(992,265)	(992,265)
Total Primary Government	$ 72,156,823	$ 17,902,777	$ 1,254,752	$ 2,376,166	(49,630,863)	(992,265)	(50,623,128)
General revenues							
Property taxes					15,621,385	987,051	16,608,436
Sales taxes					12,294,618		12,294,618
Gaming taxes					21,441,126		21,441,126
Franchise and utility taxes					2,555,738		2,555,738
Other taxes					722,315		722,315
Grants and contributions not restricted to specific programs					1,200,000		1,200,000
Unrestricted Investment Earnings					415,483	128,965	544,448
Miscellaneous					1,447,516		1,447,516
Transfers					(2,992,157)	2,992,157	
Total general revenues and transfers					52,706,024	4,108,173	56,814,197
Change in net assets					3,075,161	3,115,908	6,191,069
Net Assets - beginning of period - as restated					154,860,204	49,591,620	204,451,824
Net assets - end of period					$ 157,935,365	$ 52,707,528	$ 210,642,893

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

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2004

	General Fund	General Capital Projects Fund	2002 TIF Capital Projects Bond Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 17,026,219	$ 437,045	$ -	$ 2,789,712	$ 686,880	$ 20,939,856
Investments	1,584,211		7,956,635	1,589,047	9,283,622	20,413,515
Receivables:						
Taxes	4,396,720			1,228,737	16,794	5,642,251
Customer accounts, net	56,397					56,397
Grants and other	321,546	1,136,398			1,580	1,459,524
Due from other city funds	851,844	919,789				1,771,633
Prepaids	678,078					678,078
Inventories	49,058					49,058
Mortgage loans receivable					201,529	201,529
Land inventory					64,917	64,917
Total assets	$ 24,964,073	$ 2,493,232	$ 7,956,635	$ 5,607,496	$ 10,255,322	$ 51,276,758
Liabilities and Fund Balance						
Liabilities						
Accounts payable and accrued liabilities	$ 2,997,679	$ 1,241,876	$ -	$ 57,501	$ 100,945	4,398,001
Due to other city funds	429,070	851,356	8,700		899,106	2,188,232
Deferred revenue	68,082	400,000				468,082
Total liabilities	3,494,831	2,493,232	8,700	57,501	1,000,051	7,054,315
Fund Balances						
Reserved for						
Loans receivable					201,529	201,529
Inventories	49,058					49,058
Land inventory					64,917	64,917
Debt service				5,549,995		5,549,995
Endowment, expendable					25,119	25,119
Unreserved reported in						
General fund	21,420,184					21,420,184
Special revenue funds					422,589	422,589
Capital projects funds			7,947,935		8,541,117	16,489,052
Total fund balances	21,469,242		7,947,935	5,549,995	9,255,271	44,222,443
Total liabilities and fund balances	$ 24,964,073	$ 2,493,232	$ 7,956,635	$ 5,607,496	$ 10,255,322	$ 51,276,758

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

City of Biloxi, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
as of September 30, 2004

Total fund balances of governmental funds in the balance sheet, page 32	$ 44,222,443
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.	181,580,298
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.	1,400,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(69,267,376)
Net assets of governmental activities, page 28	$ 157,935,365

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, 2004

	General Fund	General Capital Projects Fund	2002 TIF Capital Projects Bond Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Ad valorem taxes	$ 8,421,406	$ -	$ -	$ 5,117,524	$ 2,082,455	$ 15,621,385
Licenses and permits	3,597,812					3,597,812
Intergovernmental	34,975,977	1,815,199		1,233,608	521,477	38,546,261
Charges for services	982,416					982,416
Fines	1,156,867					1,156,867
Other	4,636,560		58,340	50,151	243,771	4,988,822
Total revenues	53,771,038	1,815,199	58,340	6,401,283	2,847,703	64,893,563
Expenditures						
Current:						
General government	4,066,268					4,066,268
Parks and recreation	4,564,356					4,564,356
Public safety	23,522,963					23,522,963
Public works	8,829,393					8,829,393
Community development	2,826,769				875,339	3,702,108
Non-departmental	5,380,002					5,380,002
Benefit payments					2,085,382	2,085,382
Debt service						
Principal retirement				3,661,674		3,661,674
Interest and other				2,778,278	85,526	2,863,804
Capital outlay, projects		23,236,972				23,236,972
Total expenditures	49,189,751	23,236,972		6,439,952	3,046,247	81,912,922
Excess (deficiency) of revenues over expenditures	4,581,287	(21,421,773)	58,340	(38,669)	(198,544)	(17,019,359)
Other financing sources (uses)						
Bond proceeds					9,801,416	9,801,416
Bond issue cost					(120,031)	(120,031)
Operating transfers in		21,421,773				21,421,773
Operating transfers out	(11,749,197)		(3,240,454)		(6,279,451)	(21,269,102)
Total other financing sources (uses)	(11,749,197)	21,421,773	(3,240,454)		3,401,934	9,834,056
Net change in fund balance	(7,167,910)		(3,182,114)	(38,669)	3,203,390	(7,185,303)
Fund balances, beginning of year	28,637,152		11,130,049	5,588,664	6,051,881	51,407,746
Fund balances, end of year	$ 21,469,242	$ -	$ 7,947,935	$ 5,549,995	$ 9,255,271	$ 44,222,443

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, 2004

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

Net change in fund balances of governmental funds, page 32		$ (7,185,303)
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	19,971,967	
Less: current year depreciation	(4,891,936)	15,080,031
The issuance of long-term debt (bonds payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeds repayments.		
Bond and loan proceeds	(9,800,000)	
Principal payments	3,661,674	(6,138,326)
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 infrastructure	705,002	
Seized assets	123,117	
Basis of assets sold	(19,462)	808,657
Some expenses reported in the statement of activities do not require the use of current financial resources and there are not reported as expenditures in governmental funds		
Change in long-term compensated absences		(189,898)
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 .		700,000
Change in net assets of governmental activities, page 29		$ 3,075,161

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, 2004

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem taxes	$ 8,308,057	$ 8,308,057	$ 8,798,683	$ 490,626
Licenses and permits	3,360,400	3,360,400	3,637,141	276,741
Intergovernmental	33,725,754	33,735,754	35,315,013	1,579,259
Federal & state grants	37,392	226,577	333,754	107,177
Charges for services	1,082,700	1,082,700	1,123,828	41,128
Fines	1,160,000	1,160,000	1,156,867	(3,133)
Other	4,931,732	5,038,216	4,413,285	(624,931)
Total revenues	52,606,035	52,911,704	54,778,571	1,866,867
Expenditures				
Administration	2,552,033	2,607,033	2,478,533	128,500
Executive	285,575	285,575	249,949	35,626
Legislative	662,987	662,987	510,143	152,844
Judicial	223,113	223,113	224,793	(1,680)
Legal	581,147	584,744	569,732	15,012
Community development	3,068,039	3,178,039	2,818,592	359,447
Parks & recreation	5,023,439	5,023,439	4,534,337	489,102
Public safety	24,937,204	25,182,864	23,440,369	1,742,495
Public works	9,610,620	9,874,081	8,878,862	995,219
Nondepartmental	5,093,102	5,222,102	4,599,956	622,146
Total expenditures	52,037,259	52,843,977	48,305,266	4,538,711
Excess (deficiency) of revenues over expenditures	568,776	67,727	6,473,305	6,405,578
Other financing sources (uses)				
Operating transfers out	(26,110,129)	(27,314,543)	(13,785,878)	13,528,665
Net change in fund balances	(25,541,353)	(27,246,816)	(7,312,573)	19,934,243
Fund balances, beginning of year	30,000,000	30,000,000	24,680,694	
Fund balances, end of year	$ 4,458,647	$ 2,753,184	$ 17,368,121	$ 19,934,243

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

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash	$ 8,156,744	$ 353,089	$ 111,560	$ 8,621,393	$ -
Investments		2,006,134		2,006,134	
Receivables:					
Customer accounts, net	651,481	74,539		726,020	
Grants and other		11,122		11,122	
Customer accounts earned but not billed	507,002			507,002	
Due from other city funds		229,438		229,438	
Supplies inventory	113,039			113,039	
Prepaid contractual services	268,321	25,400		293,721	
Total current assets	9,696,587	2,699,722	111,560	12,507,869	
Restricted assets:					
Cash	1,256,030	95,043		1,351,073	5,763,181
Due from other city funds					199,632
Total restricted assets	1,256,030	95,043		1,351,073	5,962,813
Noncurrent assets:					
Capital assets, net of accumulated depreciation	41,478,915	4,489,682	484,670	46,453,267	
Total noncurrent assets	41,478,915	4,489,682	484,670	46,453,267	
Total assets	52,431,532	7,284,447	596,230	60,312,209	5,962,813
Liabilities					
Current liabilities:					
Account payable	330,404	40,119		370,523	
Current portion of bonds and notes	118,238	680,000		798,238	
Unearned revenue		67,030		67,030	
Due to other city funds	12,470			12,470	
Total current liabilities	461,112	787,149		1,248,261	
Liabilities payable from restricted assets:					
Customer deposits payable	933,230	99,637		1,032,867	
Accounts payable	25,622			25,622	
Claims contingency payable					4,562,813
Total liabilities payable from restricted assets	958,852	99,637		1,058,489	4,562,813
Non-current liabilities:					
Claims payable		300,000		300,000	
Bonds and notes, non-current	1,627,931	3,370,000		4,997,931	
Total non-current liabilities	1,627,931	3,670,000		5,297,931	
Total liabilities	3,047,895	4,556,786		7,604,681	4,562,813
Net assets					
Invested in capital assets, net of related debt	39,732,746	439,682	484,670	40,657,098	
Restricted for capital projects	181,334	878,181		1,059,515	
Restricted for debt service		1,068,144		1,068,144	
Unrestricted	9,469,557	341,654	111,560	9,922,771	1,400,000
Total net assets	$ 49,383,637	$ 2,727,661	$ 596,230	$ 52,707,528	$ 1,400,000

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, 2004

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	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	$ 8,931,386	$ -	$ -	$ 8,931,386	$ -
Keesler Air Force Base, sewer	629,022			629,022	
Harbor fees and rents		1,712,123	21,175	1,733,298	
Insurance billings					7,821,678
Total charges for service	9,560,408	1,712,123	21,175	11,293,706	7,821,678
Cobra contributions					51,116
Other income	6,133	11,367		17,500	
Total operating revenues	9,566,541	1,723,490	21,175	11,311,206	7,872,794
Operating expenses					
Personal services	918,004	1,082,858		2,000,862	
Contracted services	6,637,427			6,637,427	
Other services and charges	1,147,238	457,393	55	1,604,686	7,172,794
Depreciation	1,897,410	206,939	22,339	2,126,688	
Total operating expenses	10,600,079	1,747,190	22,394	12,369,663	7,172,794
Operating income (loss)	(1,033,538)	(23,700)	(1,219)	(1,058,457)	700,000
Non-operating revenues (expenses)					
Interest income	105,631	23,086	248	128,965	
Interest expense	(62,537)	(277,487)		(340,024)	
Intergovernmental tax revenues		987,051		987,051	
Grant revenue		229,438		229,438	
Donations	2,827,276	494,330		3,321,606	
Total non-operating revenues (expenses)	2,870,370	1,456,418	248	4,327,036	
Income (loss) before transfers	1,836,832	1,432,718	(971)	3,268,579	700,000
Transfers to other City funds	(152,671)	-		(152,671)	
Change in net assets	1,684,161	1,432,718	(971)	3,115,908	700,000
Net assets, beginning of year	47,699,476	1,294,943	597,201	49,591,620	700,000
Net assets, end of year	$ 49,383,637	$ 2,727,661	$ 596,230	$ 52,707,528	$ 1,400,000

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

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2004

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	$ 9,884,800	$ 1,689,767	$ 21,175	$ 11,595,742	$ 7,872,794
Payments to suppliers	(7,873,837)	(360,537)	(55)	(8,234,429)	(7,443,240)
Payments for services of employees	(918,004)	(1,082,858)		(2,000,862)	
Net cash provided by (used in) operating activities	1,092,959	246,372	21,120	1,360,451	429,554
Cash flows from non-capital financing activities					
Repayment of loans from other funds	4,782			4,782	638,032
Cash flows from capital and related financing activities					
Intergovernmental tax revenues		987,051		987,051	
Transfers (to) from other funds	(152,671)			(152,671)	
Loans from other funds	12,470			12,470	
Acquisition of capital assets	(672,651)			(672,651)	
Retirement of debt	(114,298)	(758,690)		(872,988)	
Interest paid on debt	(62,537)	(277,487)		(340,024)	
Net cash provided by (used in) capital and related financing activities	(989,687)	(49,126)		(1,038,813)	
Cash flows from investing activities					
Interest and dividends on investments	105,631	23,086	248	128,965	
Purchase of investments		(1,333,741)		(1,333,741)	
Net cash provided by (used in) investing activities	105,631	(1,310,655)	248	(1,204,776)	
Net increase (decrease) in cash and cash equivalents	213,685	(1,113,409)	21,368	(878,356)	1,067,586
Cash and cash equivalents, beginning of period	9,199,089	1,561,541	90,192	10,850,822	4,695,595
Cash and cash equivalents, end of period	$ 9,412,774	$ 448,132	$ 111,560	$ 9,972,466	$ 5,763,181
Classified as:					
Current assets	$ 8,156,744	$ 353,089	$ 111,560	$ 8,621,393	$ -
Restricted assets	1,256,030	95,043		1,351,073	5,763,181
Totals	$ 9,412,774	$ 448,132	$ 111,560	$ 9,972,466	$ 5,763,181

Continued on next page

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2004
(Continued)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,033,538)	$ (23,700)	$ (1,219)	$ (1,058,457)	$ 700,000
Adjustments not affecting cash					
Depreciation	1,897,410	206,939	22,339	2,126,688	
Expenses paid by governmental funds	31,965	171,901		203,866	
Changes in assets and liabilities:					
Accounts receivable	280,345	(20,296)		260,049	
Supplies	(87,255)			(87,255)	
Prepaids	51,506	34,489		85,995	
Accounts payable and accrued expenses	(85,388)	(109,534)		(194,922)	(270,446)
Deferred revenue		(29,809)		(29,809)	
Customer deposits	37,914	16,382		54,296	
Net cash provided by (used in) operating activities	$ 1,092,959	$ 246,372	$ 21,120	$ 1,360,451	$ 429,554

Recognized assets not resulting in cash flows:				
Water and sewer capital assets located in subdivisions donated by developers	$ 176,778	$ -	$ -	$ 176,778
Business-type capital assets constructed and donated by Governmental funds	2,618,533	322,429		2,940,962
				-
Totals	$ 2,795,311	$ 322,429	$ -	$ 3,117,740

The Accompanying Notes are an Integral Part of the Financial Statemen

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2004

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I. Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

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

(B) Component Unit Disclosure

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

(1) Blended Component Unit: Point Cadet Development Corporation

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

(2) Biloxi Port Commission / Biloxi Port Fund

The Biloxi Port Commission (Commission), a separate legal entity created under state statute, was reported as a discretely presented component unit in the City of Biloxi's financial statements for the year ended September 30, 2003. However, as a result of going concern issues, on July 24, 2003, the City assumed all of the Commission's management responsibilities and declared its intent to dissolve the Commission into the City. On April 20, 2004, the Mississippi State Legislature gave legal authority to the City to dissolve the Commission with the passage of Mississippi Code Section 59-7-48. On June 24, 2004, the Biloxi Port Commission was dissolved into the City of Biloxi and is now known as the Biloxi Port Fund. The City received title to all assets and became responsible for all of the obligations of the Commission. The Biloxi Port Fund is accounted for as an enterprise fund of the City of Biloxi. All of the assets, liabilities, net assets, revenues and expenditures have been reported as if the City owned and operated them the entire fiscal year.

(C) Related Organizations

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

(D) Joint Ventures and Jointly Governed Organizations

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

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

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

(E) Basic Financial Statements- GASB Statement 34

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e.,

measurable and available to pay liabilities of the current period. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recognized when the related fund liability is incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences, which are recognized when due.

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

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

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

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

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

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

(G) Fund Types and Major Funds

Governmental Funds

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

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

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

2002 TIF Capital Projects Bond Fund is used to hold the bond proceeds until such time as they are needed to fund expenditures in accordance with the bond issue.

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

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

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

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

Proprietary Funds

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

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

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

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

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

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

(H) Assets, Liabilities and Net Assets or Equity

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

Investments
Investments are stated at fair value.

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

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

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

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

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

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

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

Interfund Transactions
Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables. This type of transaction is normally settled by a cash transfer between the funds. All other interfund transactions are accounted for as either an operating transfer, a capital transfer or a residual equity transfer. A capital transfer results when a governmental fund permanently transfers funds to a proprietary fund as a capital infusion for the construction of fixed assets, for example. A residual equity transfer represents a transfer of the residual fund balance of a discontinued fund to another fund or a non-recurring or non-routine transfer of equity between funds. Operating and capital transfers are all legally authorized transfers, which are not classified as residual equity transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation.

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

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

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

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

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

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

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

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

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

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

2. Public hearings are conducted to obtain taxpayer comments.

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

   The City Council formally adopts an annual operating budget for the General Fund at the "department level" and for special revenue, debt service and capital projects fund types at the "fund type level". State statutes prohibit the governing authority from expending amounts in excess of the adopted or amended budget. Formal budgetary integration at the

"account level" is employed by management for expenditure control purposes. Management may transfer budget between expenditure accounts within each General Fund department but may not exceed the total expenditure limit set for each General Fund department nor the total expenditures level for other fund types. The City Council may amend the budget during the fiscal year, by resolution, to reallocate resources.

4. Budgets for the General, Special Revenue, Capital Projects and Debt Service Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year. Expenditures may not legally exceed budgeted appropriations and any existing fund balance at the various fund or fund type levels. Budget amounts are as originally adopted, or as amended by the City Council. Budget amendments are made throughout the year (prior to July) as reallocations of funds are necessary or as circumstances dictate.

   Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the excess (deficiency) of revenues and other sources over expenditures and other uses for the year ended September 30, 2004 is as follows:

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	$ (7,312,573)
Adjustments	
To convert receivables	(8,960)
To convert prepaids	(31,671)
To convert liabilities	248,456
To convert deferred revenue	(63,162)
Totals, GAAP basis	$ (7,167,910)

B. Excess Expenditures Over Appropriations in Individual Funds

During the year ended September 30, 2004, expenditures and other financing uses exceeded revenues and other financing sources in the following funds:

General Fund	$ 7,167,910
Capital Projects Funds	
1998 General Obligation Bond Fund	136,170
2000 General Obligation Bond Fund	84,349
2002 General Obligation Bond Fund	156,955
2002 TIF Capital Projects Bond Fund	3,182,114

Debt Service Fund	$ 38,669
Special Revenue Funds	
Community Development Block Grant Fund	178,958
Enterprise Funds (net loss)	
Point Cadet Development Corporation	971

C. Deficit Fund Equity

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

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

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

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

The tax levies for the calendar years 2004, 2003 and 2002 (taxes collected in the fiscal years ending 9/30/05, 9/30/04 and 9/30/03) are as follows:

	9/30/05 Millage	9/30/04 Millage	9/30/03 Millage
City Funds			
General Fund	15.65	15.65	15.65
Special revenue funds:			
Disability and Relief (Pension) Funds	4.50	4.50	5.50
Debt Service Funds	7.70	7.70	6.70
Solid waste collection and disposal	2.25	2.25	2.25
Total City administered funds	30.10	30.10	30.10
School Funds			
District maintenance	32.34	32.34	30.84
School debt	4.34	4.34	4.34
Total School administered funds	36.68	36.68	35.18
Total levy	66.78	66.78	65.28

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, 2004, there were nine casinos operating within the City of Biloxi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi receive .4 to .8 percent. This tax is divided 72% to the County, and 28% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	$ 17,443,203
Local share of state tax	1,930,056
Gaming licenses and permits	2,067,867
Total gaming revenues	$ 21,441,126

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 are 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, 2004 fall into the credit risk category of "***Insured or collateralized with securities held by the entity or by its agent in the entity's name***". Deposits are summarized as follows:

	Reported Amount	Bank Balance
Cash	$ 30,673,791	$ 33,865,436
Certificates of deposit	6,001,712	6,001,712
Total deposits	$ 36,675,503	$ 39,867,148

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

Investments —

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2004, investments consisted of the following:

	Reported Amount	Fair Value
Investments held by the City or the City's safekeeping agent, and registered in the name of the City:		
United States of America Treasury Bill, 1.71%, maturing 2/17/05	$ 1,583,517	$ 1,585,485
Investments not categorized:		
Money Market Mutual Funds	20,836,132	20,836,132
Totals	$ 22,419,649	$ 22,421,617

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2004:

Taxes receivable:	
Utility franchise taxes	$ 643,046
Sales taxes	2,000,020
Ad valorem taxes	114,687
Gaming taxes and fees	1,684,497
Total taxes receivable	$ 4,442,250
Customer accounts receivable:	
Garbage fees	$ 64,132
Water and sewer utility charges (billed)	725,432
Port berth rentals	100,243
Less allowance for doubtful accounts	(107,389)
Customer accounts receivable earned but not billed	507,001
Total customer accounts receivable, net	$ 1,289,419
Other receivables:	
Special assessments	$ 127,592
Less allowance for doubtful accounts	(92,132)
Federal and state grants	1,358,561
Due from county for debt service	1,200,000
Liquor privilege tax	27,600
County road tax	5,182
Other	43,843
Total other receivables	$ 2,670,646

D. Prepaids

Prepaids at September 30, 2004 consist of the following:

Prepaid insurance premiums	$ 678,078
Contractual services	293,721
Total prepaids	$ 971,799

E. Interfund Receivables, Payables and Transfers

Individual Interfund Balances at September 30, 2004	Due From Other Funds	Due to Other Funds
General Fund		
General Capital Projects to fund project cost	$ 851,356	$
Water and sewer	488	
Claims contingency fund for claims and expenses		199,632
Biloxi Port Fund to fund project cost		229,438
Total General Fund	851,844	429,070
General Capital Projects Fund:		
General Fund		851,356
Community Development Block Grant	156,601	
GOPI 2002 Bond Fund	8,701	
GOPI 2003 Bond Fund	742,505	
Water and Sewer Fund	11,982	
Total General Capital Projects Fund	919,789	851,356
2002 TIF Capital Projects Bond Fund		
General Capital Projects to fund project cost		8,701
Other Nonmajor Governmental Funds		
Community Development Block Grant Fund to General Fund		156,601
GOPI 2003 Bond Fund to General Capital Projects		742,505
Total other nonmajor governmental funds		899,106
Enterprise Fund:		
Water and Sewer Fund to General Fund		488
Water and Sewer Fund to General Capital Projects Fund		11,982
Biloxi Port Fund from General Fund	229,438	
Total Enterprise Fund	229,438	12,470
Internal Service Self-Insurance:		
Claims Contingency Fund from General Fund for claims	199,632	
Totals	$ 2,200,703	$ 2,200,703

The composition of interfund transfers for the year ended September 30, 2004 was as follows:

Transfers From	Transfers Into General Capital Projects Fund
General Fund	$ 11,749,197
2002 Limited Obligation Bond Fund	3,240,454
Non-major Governmental Funds	
GOPI 2002 Bond Fund	185,948
GOPI 1998 Bond Fund	51,367
GOPI 2000 Bond Fund	85,169
GOPI 2003 Bond Fund	5,956,967
Total non-governmental funds	6,279,451
Enterprise Funds	
Water and Sewer Fund	152,671
Total	$ 21,421,773

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

F. Capital Asset Activity

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance October 1, 2003 (as restated)	Increases	Decreases	Balance September 30, 2004
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 21,215,433	$ 7,481,437	$ -	$ 28,696,870
Construction in progress	45,619,777	17,687,498	22,504,565	40,802,710
Total capital assets not being depreciated	66,835,210	25,168,935	22,504,565	69,499,580
Capital assets being depreciated				
Buildings	31,276,245	1,898,827		33,175,072
Improvements other than buildings	4,391,699	926,491		5,318,190
Machinery and equipment	22,161,683	3,224,051	62,947	25,322,787
Infrastructure - streets and drainage	94,414,414	12,086,346		106,500,760
Total capital assets being depreciated	152,244,041	18,135,715	62,947	170,316,809
Less accumulated depreciation for:				
Buildings	8,133,350	716,896		8,850,246
Improvements other than buildings	3,168,044	137,458		3,305,502
Machinery and equipment	14,160,639	2,373,060	43,485	16,490,214
Infrastructure - streets and drainage	27,925,607	1,664,522		29,590,129
Total accumulated depreciation	53,387,640	4,891,936	43,485	58,236,091
Net capital assets being depreciated	98,856,401	13,243,779	19,462	112,080,718
Net governmental activities assets	$165,691,611	$ 38,412,714	$ 22,524,027	$ 181,580,298
Business type activities				
Capital assets, not being depreciated:				
Land	$ 829,243	$ -	$ -	$ 829,243
Construction in progress	2,659,699	2,833,240	4,088,656	1,404,283
Total capital assets not being depreciated	3,488,942	2,833,240	4,088,656	2,233,526
Capital assets being depreciated				
Equipment	957,600	519,457		1,477,057
Pier improvements	446,774			446,774
Water and sewer system	66,866,888	4,451,456		71,318,344
Port buildings & improvements	15,832,864	74,894		15,907,758
Total capital assets being depreciated	84,104,126	5,045,807		89,149,933
Less accumulated depreciation for:				
Equipment	291,864	168,059		459,923
Pier improvements	55,848	22,339		78,187
Water and sewer system	30,729,240	1,740,657		32,469,897
Port buildings and improvements	11,726,552	195,633		11,922,185
Total accumulated depreciation	42,803,504	2,126,688		44,930,192
Net capital assets being depreciated	41,300,622	2,919,119		44,219,741
Net business type activities assets	$ 44,789,564	$ 5,752,359	$ 4,088,656	$ 46,453,267

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

Governmental activities	
General government	$ 163,302
Community development	98,599
Cultural affairs	291,585
Parks and recreation	384,151
Public safety	2,027,075
Public works	262,702
Infrastructure	1,664,522
Total depreciation expense — governmental activities	$ 4,891,936
Business-type activities	
Water and sewer	$ 1,897,410
Port Fund	206,939
Point Cadet Development Corporation	22,339
Total depreciation expense — business-type activities	$ 2,126,688

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	$ 16,619,104	$ 18,642,746
Accumulated depreciation		(12,129,422)	(12,129,422)
Carrying amount	$ 2,023,642	$ 4,489,682	$ 6,513,324
Depreciation expense	$	$ 206,939	$ 206,939

G. Long-Term Debt

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2004:

	Beginning 10/01/03 (as restated)	Additions	Deletions	Ending 9/30/04	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds and notes	$ 25,504,357	$ 9,800,000	$ 2,537,508	$ 32,766,849	$ 3,142,497
Limited Obligation Bonds	34,371,392		1,124,166	33,247,226	1,179,741
Compensated absences	4,084,536	1,712,035	1,458,838	4,337,733	1,084,433
Total governmental activities	$ 63,960,285	$ 11,512,035	$ 5,120,512	$ 70,351,808	$ 5,406,671
Business-type Activities					
Water and sewer, pollution control loans	$ 1,860,468	$	$ 114,298	$ 1,746,170	$ 118,238
Limited tax port bonds	4,665,000		615,000	4,050,000	680,000
Compensated absences		101,701	65,000	36,701	9,175
Total business-type activities	$ 6,525,468	$ 101,701	$ 794,298	$ 5,832,871	$ 807,413

Bonds, notes, and other long-term debt payable at September 30, 2004 are comprised of the following individual issues:

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/04
Governmental Activities			
General Obligation Bonds and Notes:			
General Obligation Bonds of 1988-A, due in annual installments of $90,000 through 6/1/08	$ 1,200,000	7.2%-7.6%	$ 360,000
General Obligation Bonds of 1988-D, due in annual installments of $55,000 to $75,000 through 2/15/08	750,000	7.2%-7.5%	320,000
General Obligation Bonds of 1989-A, due in annual installments of $55,000 to $75,000 through 2/15/09	750,000	7.0%	320,000
Refunding Bond of 1995, due in annual installments of $650,000 to $685,000 through 2/1/10	4,135,000	4.8%-6.5%	1,725,000
General Obligation Bonds series 1998, due in annual installments of $600,000 to $895,000 through 12/1/13	10,000,000	4.1%-5.3%	7,385,000
General Obligation Bonds, series 2000, due in annual installments of $625,000 to $825,000 through 5/1/10	6,500,000	4.75%-5.50%	4,325,000
Airport General Obligation Bonds 2000, due in annual installments of $95,000 to $130,000 through 5/1/10	1,000,000	4.875%-5.50%	670,000
Mississippi Development Bank promissory note, due in monthly installments of $25,209 plus interest through 6/30/11. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	3,025,000	TBMA plus 1.05%	2,041,849
General Obligation Bonds, series 2002, due in annual installments of $190,000 to $450,000 through 12/1/22	6,000,000	3.70%-5.25%	5,820,000
General Obligation Bonds, series 2003, due in annual installments of $480,000 to $860,000 through 12/1/18	9,800,000	3.0%-4.25%	9,800,000
Total General Obligation Bonds			32,766,849
Limited Obligation Bonds and Notes:			
Tax Increment Financing, 1999, due in annual installments of $430,000 to $2,680,000 through 10/1/19			
Mississippi Development Association loan, due in annual installments of $33,608, secured by City sales tax, payable by Harrison County Development Commission	12,000,000	5.30%-7.50%	10,480,000
Tax Increment Financing, 2002, due in annual installments of $730,000 to $1,760,000 through 11/1/22	500,000	3.00%	462,226
Total Limited Obligation Bonds and Notes	23,000,000	1.85%-5.2%	22,305,000
Compensated absences			33,247,226
Total governmental long-term debt			4,337,733
			$ 70,351,808

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/04
Business Type Activities			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 7/15/17	$ 2,885,688	3.0%-4.5%	$ 1,746,170
Biloxi Port Fund			
Limited Tax Port Bonds, series 1999 due in annual installments of $590,000 to $605,000 through 12/1/06	4,325,000	6.15%-6.25%	1,790,000
Limited Tax Port Bonds, series 1999 due in annual installments of $90,000 to $210,000 through 12/1/19	2,500,000	5.4%-6.75%	2,260,000
Total business-type activities bonds and notes			5,796,170
Compensated absences			36,701
Total business-type activities long-term debt			$ 5,832,871

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2004 follow and include interest on the variable rate debt.

	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Limited Obligation Bonds		Port Bonds & Water and Sewer Pollution Control Loans	
Year Ended September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 3,142,497	$ 1,549,580	$ 1,179,741	$ 1,623,707	$ 798,238	$ 281,737
2006	3,282,496	1,218,610	1,240,334	1,578,050	812,419	234,724
2007	2,792,496	1,074,033	1,305,943	1,526,465	831,754	186,582
2008	2,932,496	941,377	1,371,572	1,468,890	236,247	156,783
2009	2,977,496	803,032	1,442,219	1,405,431	245,904	146,005
2010-2014	10,259,368	2,445,071	8,386,501	5,944,491	1,259,278	555,722
2015-2019	5,685,000	994,307	10,730,853	3,691,591	1,293,517	248,350
2020-2024	1,695,000	170,500	7,590,063	922,560	318,813	9,276
Totals	$ 32,766,849	$ 9,196,510	$ 33,247,226	$ 18,161,185	$ 5,796,170	$ 1,819,179

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

Assessed valuations 2004 (inside the City):	
Real property	$ 358,372,914
Personal property	90,423,928
Public utility	19,710,243
Autos, estimated	53,502,992
Total assessed valuations	$ 522,010,077
Fifteen percent (15%) of total assessed valuation	$ 78,301,512
Less outstanding general issues at 9/30/04	32,766,849
Legal debt margin	$ 45,534,663

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, 2004, was 7.7 mills or $7.70 per $1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is $1,746,170 of pollution control/state revolving loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi is currently deducting $14,737 each month from the sales tax remittances to the City to apply as note payments on these loans.

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, 2004, the aggregate, outstanding principal amount of the issues was $4,050,000.

H. Retirement Plans

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

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

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2004, the combined millage was 4.5 mills.

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

Active members	6
Retirees and beneficiaries	163
Total	169

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, 2003)

Normal	$ 27,186
Accrued liability	1,423,864
Total	$ 1,451,050

Additional information as of September 30, 2003 follows.

Valuation date	9/30/03
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	31 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	6.00%
* Includes price inflation at	3.75%
** Includes wage inflation at	4.00%
Cost of living adjustments	3% per year, not to exceed 30%, for each year of retirement after 6/30/00, in addition to any previously granted COLAs

During the year ended September 30, 2003, contributions totaling $2,649,663 ($2,621,329 employer and $28,334 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2002. The employer contributions consisted of $39,483 for normal cost and administrative expenses and $2,581,846 for amortization of the unfunded actuarial accrued liability.

During the year ended September 30, 2004, contributions totaling $2,108,719 ($2,082,455 employer and $26,264 employee) were made.

Schedule of employer contributions:

Fiscal year 10-1 / 9-30	Annual Required Contribution	Percentage Contributed
2001-02	$ 1,729,519	156.7
2002-03	1,625,642	161.2
2003-04	1,451,050	143.5

Net Pension Obligation (NPO) as of September 30, 2004 was zero.

Actuarial Accrued Liability (AAL)	(in thousands)
Retirees and beneficiaries currently receiving benefits	$ 22,669
Active members	2,352
Vested terminated members not yet receiving benefits	0
Total actuarial accrued liability	25,021
Less: Actuarial value of assets	8,558
Unfunded Actuarial Accrued Liability	$ 16,463

During the year ended September 30, 2003, the system experienced a net change of $(939) thousand in the AAL. Of the change, $0 thousand was attributable to plan amendments and $(13) thousand was attributable to a change in actuarial assumption changes.

PERS' Defined Benefit Pension Plan

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

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

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2004, 2003, and 2002 were $2,177,678 and $2,009,009, and $1,835,237, respectively.

Deferred Compensation Plan

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants are not reflected in the City's financial statements. During the year ended September 30, 2004, contributions by participants employed by the City totaled $295,985.

I. Community Development Block Grant Program

Status of Grants

The City of Biloxi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2004:

	Award	Drawn Prior to FYE 9/30/04	Drawn During FYE 9/30/04	Balance
CDBG B-02-MC-28-0001	$ 763,000	$ 89,459	$ 521,477	$ 152,064
CDBG B-03-MC-28-0001	598,000			598,000
CDBG B-04-MC-28-0001	580,000			580,000
Totals	$ 1,941,000	$ 89,459	$ 521,477	$ 1,330,064

Waterfront Development

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

The City of Biloxi has negotiated three leases with the Riverboat Corporation of Mississippi who operates the "Isle of Capri Hotel and Casino" at the Point Cadet Waterfront Development. A portion of the lease revenues are considered program income under the CDBG and HUD Section 108 loan programs, and are restricted to use for such eligible purposes. The initial lease (casino lease), dated August 1, 1992, calls for an initial term of seven (7) years with

seven additional five (5) year renewal options. Minimum annual rentals are $500,000. Minimum annual rentals for each renewal option period are adjusted by the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional annual amount equal to three percent (3%) of the tenant's gross annual revenues in excess of $25,000,000.

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

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

The leased property consists of parcels owned by the City of Biloxi and parcels leased from the Board of Trustees of the Institute of Higher Learning (IHL). As described in Note L, the City entered into the Point Cadet Compromise and Settlement Agreement. Under the Agreement, the City relinquishes its interest in the parcels it owned and relinquished its leasehold interest in the IHL parcels in exchange for an undivided one-third interest in a larger tract that included the IHL and City property. The historical cost of the City's interest in the property is $2,023,642.

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, 2004, consisted of the following:

Nixon Street home acquisition mortgages	$ 14,967
Rental rehabilitation loans	39,867
Revolving Loan Program	144,229
Residential rehabilitation loans	2,466
Total deferred mortgage loans receivable	$ 201,529

J. Self-Insured Risk, Claims and Other Contingencies

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

Property damage	
Per occurrence deductible (SIR)	$ 50,000
Specific excess coverage in force	30,000,000
Workers' compensation	
Per occurrence deductible (SIR)	300,000
Specific excess coverage in force	Statutory
General and other liability coverage	
Per occurrence deductible (SIR)	$ 100,000
Specific excess coverage in force	500,000
Annual aggregate coverage to:	
General liability	1,500,000
Law enforcement liability	1,500,000
Automobile liability	No Limit
Health	
Per individual deductible (SIR)	100,000
Annual aggregate risk of loss through deductibles	5,474,299
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2004:

	Employee Medical Claims	Property, Liability & Workers' Compen-sation	Total
Total estimated liability and reserves — October 1, 2002	$ 2,958,797	$ 2,078,906	$ 5,037,703
Claims incurred and changes in estimates	3,924,751	385,040	4,309,791
Claims paid	(4,256,862)	(257,373)	(4,514,235)
Total estimated liability and reserves — September 30, 2003	2,626,686	2,206,573	4,833,259
Claims incurred and changes in estimates	4,064,535	408,667	4,473,202
Claims paid	(4,170,650)	(572,998)	(4,743,648)
Total estimated liability and reserves — September 30, 2004	$ 2,520,571	$ 2,042,242	$ 4,562,813

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

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

K. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Wastewater and Solid Waste Management District (District) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the District. Through a fifty-year contract, the City of Biloxi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the District. Additionally, the City is jointly and severally liable for all of the liabilities of the District. The District is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2004, a complete copy of which is on file at the administrative offices of the District.

Harrison County Wastewater and Solid Waste Management District Synopsis

Balance Sheet

Assets	
Current assets	$ 2,290,917
Restricted assets	37,101,200
Property, plant and equipment	80,481,618
Deferred charges	3,922,608
Total assets	$ 123,796,343
Liabilities & Fund Equity	
Liabilities	
Current, unrestricted	$ 2,282,616
Current, restricted	6,138,300
Long-term liabilities	119,858,119
Total liabilities	128,279,035
Fund equity	(4,482,692)
Total liabilities and fund equity	$ 123,796,343

Statement of Revenues and Expenses

Operating revenues	$ 14,554,829
Operating expenses	(14,766,675)
Depreciation and amortization	(4,434,216)
Non-operating revenues	3,011,613
Net income	$ 1,634,449

The following financial information concerning transactions with the District has 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)	$ 2,065,995

Water and Sewer Enterprise Fund

Balance sheet:	
Prepaid contractual services	$ 195,878
Statement of revenues, expenses and changes in retained earnings:	
Operating expenses:	
Contracted services (wastewater treatment)	$ 5,096,176

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 $785,000 for the year ended September 30, 2004. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2005 is $650,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

Gulfport-Biloxi Regional Airport Authority — The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi provided $115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility. The City has budgeted $115,000 for the 2004-2005 fiscal year. The City of Biloxi has no equity interest in the organization.

L. Other Commitments

Property Leases

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

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

Capital Projects

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for capital projects at September 30, 2004:

Total commitment for general Capital Projects	$ 41,101,584
Funding sources:	
Federal and State Grants	$ 5,305,336
Bond Funds and other borrowings	20,434,615
Enterprise Funds	1,669,094
General Fund surplus and other future sources of funds to be provided	13,692,539
Total fund sources	$ 41,101,584

Matching Funds — USM Advanced Education Center

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

M. Subsequent Events

On December 30, 2004, the City of Biloxi issued $5.53 million of General Obligation Refunding Bonds for the purposes of advanced refunding three of the City's outstanding General Obligation issues.

N. Prior Period Adjustments

The following prior period adjustments have been made to ***Net Assets — beginning of year*** in the Statement of Activities:

	Governmental Activities	Business-Type Activities	Total
Net assets-beginning of year — as previously reported September 30, 2003	$ 153,962,690	$ 48,296,677	$ 202,259,367
Book additional capital assets at September 30, 2003	897,514		897,514
Record the dissolution of the Biloxi Port Commission into the Biloxi Port Fund		1,294,943	1,294,943
Net assets-beginning of year — as restated September 30, 2003	$ 154,860,204	$ 49,591,620	$ 204,451,824

As a result of the City's implementation of GASB 34, the City continually monitors its capital asset activity. During this monitoring process, $897,514 of additional infrastructure assets was found to exist as of September 30, 2002.

The net assets of the Biloxi Port Commission transferred to the City are summarized as follows:

Cash and investments	$ 2,233,934
Receivables	125,254
Land and construction in progress	463,831
Capital assets (net of accumulated depreciation)	3,910,361
Total assets	6,733,380
Accounts payable and accrued liabilities	329,747
Bonds, notes and other long term debt	5,108,690
Total liabilities	5,438,437
Net assets transferred to the City of Biloxi	$ 1,294,943

Required Supplementary Information

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

Schedule of Funding Progress
($ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/94	$ 929	$ 17,575	5.3%	$ 16,646	$ 918	1,813.3%
9/30/95	1,278	19,217	6.7	17,939	854	2,100.6
9/30/96	1,831	18,859	9.7	17,028	809	2,104.8
9/30/97	2,684	19,504	13.8	16,820	862	1,951.3
9/30/98	3,787	21,561	17.6	17,774	785	2,264.2
9/30/99	4,474	21,854	20.5	17,380	613	2,835.2
9/30/00	5,207	21,913	23.8	16,706	615	2,716.4
9/30/01	6,379	26,092	24.4	19,713	469	4,203.2
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

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
1994-95	1994	$ 1,490,850	97.2%
1995-96	1995	1,604,949	107.4
1996-97	1996	1,515,530	128.9
1997-98	1997	1,488,764	130.1
1998-99	1998	1,573,193	120.4
1999-00	1999	1,528,671	131.7
2000-01	2000	1,480,273	180.4
2001-02	2001	1,729,519	157.4
2002-03	2002	1,625,642	161.2
2003/04	2003	1,451,050	143.5

Combining Financial Statements

Governmental Funds

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2004

	Special Revenue					Capital Projects					
						General Obligation Public Improvement					
Assets	Community Development Block Grant	Fire & Police Disability & Relief Fund	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	1999 TIF Capital Projects Bond Fund	Total
Cash	$ 129,733	$ -	$ -	$ 532,028	$ 25,119	$ -	$ -	$ -	$ -	$ -	$ 686,880
Investments						4,498,209	4,623,745	58,013	103,655		9,283,622
Receivables:											-
Taxes		9,741	7,053								16,794
Other	1,580										1,580
Mortgage loans receivable	201,529										201,529
Land inventory	64,917										64,917
Total assets	$ 397,759	$ 9,741	$ 7,053	$ 532,028	$ 25,119	4,498,209	$ 4,623,745	$ 58,013	$ 103,655	$ -	$ 10,255,322
Liabilities & Fund Balance											
Liabilities											
Accounts payable	$ 84,151	$ 9,741	$ 7,053	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,945
Due to other funds	156,601					742,505					899,106
Total liabilities	240,752	9,741	7,053			742,505					1,000,051
Fund balance											
Reserved for:											
Endowment, expendable					25,119						25,119
Loans receivable	201,529										201,529
Land inventory	64,917										64,917
Unreserved reported in:											
Special revenues	(109,439)			532,028							422,589
Capital projects						3,755,704	4,623,745	58,013	103,655		8,541,117
Total fund balances	157,007			532,028	25,119	3,755,704	4,623,745	58,013	103,655		9,255,271
Total liabilities & fund balance	$ 397,759	$ 9,741	$ 7,053	$ 532,028	$ 25,119	$ 4,498,209	$ 4,623,745	$ 58,013	$ 103,655	$ -	$ 10,255,322

See Independent Auditors' Repor

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended September 30, 2004

	Special Revenue					Capital Projects					
						General Obligation Public Improvement					
	Community Development Block Grant	Fire & Police Disability & Relief Fund	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	1999 TIF Capital Projects Bond Fund	Total
Revenues											
Ad valorem taxes	$ -	$ 1,209,198	$ 873,257	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,082,455
Intergovernmental	521,477										521,477
Other income	174,904			6,607	430	31,286	28,993	723	820	8	243,771
Total revenues	696,381	1,209,198	873,257	6,607	430	31,286	28,993	723	820	8	2,847,703
Expenditures											
Community Development	875,339										875,339
Benefit payments		1,209,198	873,257	2,927							2,085,382
Interest and other								85,526			85,526
Total expenditures	875,339	1,209,198	873,257	2,927				85,526			3,046,247
Excess of revenues over expenditures	(178,958)			3,680	430	31,286	28,993	(84,803)	820	8	(198,544)
Other financing sources (uses)											
Bond proceeds						9,801,416					9,801,416
Bond issue cost						(120,031)					(120,031)
Operating transfers out						(5,956,967)	(185,948)	(51,367)	(85,169)		(6,279,451)
Total other financing sources uses						3,724,418	(185,948)	(51,367)	(85,169)		3,401,934
Excess (deficiency) of revenues and other sources over expenditures and other uses	(178,958)			3,680	430	3,755,704	(156,955)	(136,170)	(84,349)	8	3,203,390
Fund balance, beginning of year	335,965			528,348	24,689		4,780,700	194,183	188,004	(8)	6,051,881
Fund balance, end of year	$ 157,007	$ -	$ -	$ 532,028	$ 25,119	$ 3,755,704	$ 4,623,745	$ 58,013	$ 103,655	$ -	$ 9,255,271

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, 2004

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	$ 1,842,610	$ 2,520,571	$ 1,400,000	$ 5,763,181
Due from other City funds	199,632			199,632
Total restricted assets	$ 2,042,242	$ 2,520,571	$ 1,400,000	$ 5,962,813
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Claims contingency payable	$ 2,042,242	$ 2,520,571	$ -	$ 4,562,813
Net assets				
Unrestricted			1,400,000	1,400,000
Total liabilities and net assets	$ 2,042,242	$ 2,520,571	$ 1,400,000	$ 5,962,813

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, 2004

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	$ 2,442,436	$ 4,679,242	$ 700,000	$ 7,821,678
COBRA contributions		51,116		51,116
Total operating revenue	2,442,436	4,730,358	700,000	7,872,794
Operating expenses				
Insurance and reinsurance	1,367,490	347,811	-	1,715,301
Claims expense	1,074,946	4,382,547		5,457,493
Total operating expenses	2,442,436	4,730,358		7,172,794
Operating income			700,000	700,000
Fund balance, beginning			700,000	700,000
Fund balance, ending	$ -	$ -	$ 1,400,000	$ 1,400,000

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, 2004

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Received from other funds	$ 2,442,436	$ 4,730,358	$ 700,000	$ 7,872,794
Payments for claims and insurance	(2,606,767)	(4,836,473)		(7,443,240)
Net cash provided by (used in) operating activities	(164,331)	(106,115)	700,000	429,554
Cash flows from non-capital financing activities				
Loans repaid from other funds	638,032			638,032
Net increase (decrease) in cash and cash equivalents	473,701	(106,115)	700,000	1,067,586
Cash and cash equivalents, beginning of period	1,368,909	2,626,686	700,000	4,695,595
Cash and cash equivalents, end of period	$ 1,842,610	$ 2,520,571	$ 1,400,000	$ 5,763,181

See Independent Auditors' Report.

Supplemental Information

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Community Development Block Grant
For the Year Ended September 30, 2004

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	$ 521,477	$ 1,739,606	$ (1,218,129)
Other income	186,686	181,014	5,672
Total revenues	708,163	1,920,620	(1,212,457)
Expenditures			
Community Development	718,738	1,938,620	1,219,882
Excess (deficiency) of revenues over expenditures	(10,575)	(18,000)	7,425
Fund balances, beginning of year	56,157	56,157	
Fund balances, end of year	$ 45,582	$ 38,157	$ 7,425

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Disability & Relief Funds
For the Year Ended September 30, 2004

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	$ 1,249,741	$ 904,847	$ 2,154,588	$ 2,040,930	$ 113,658
Expenditures					
Benefit payments	1,249,741	904,847	2,154,588	2,040,930	(113,658)
Excess of revenues over expenditures					
Fund balances, beginning of year					
Fund balances, end of year	$ -	$ -	$ -	$ -	$ -

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Debt Service Fund
For the Year Ended September 30, 2004

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	$ 5,197,116	$ 5,007,303	$ 189,813
Intergovernmental	697,050	1,231,208	(534,158)
Other income	50,151	12,000	38,151
Total revenues	5,944,317	6,250,511	(306,194)
Expenditures			
Principal retirement	3,661,674	3,661,674	
Interest expense	2,776,778	2,994,738	217,960
Paying agents' fees	24,600	34,000	9,400
Total expenditures	6,463,052	6,690,412	227,360
Excess (deficiency) of revenues over expenditures	(518,735)	(439,901)	(78,834)
Fund balances, beginning of year	4,839,994	4,839,994	
Fund balances, end of year	$ 4,321,259	$ 4,400,093	$ (78,834)

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, 2004

	General Capital Projects Fund	General Obligation Public Improvement				1999 TIF Capital Projects Bond Fund	2002 TIF Capital Projects Bond Fund	Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund					
Revenues										
Intergovernmental	$ 1,352,825	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,352,825	$ 8,581,015	$ (7,228,190)
Other income		31,286	28,993	723	820	8	58,340	120,170	99,500	20,670
Total revenues	1,352,825	31,286	28,993	723	820	8	58,340	1,472,995	8,680,515	(7,207,520)
Expenditures										
Capital projects and bond costs	24,366,588	120,031		85,526				24,572,145	64,173,743	39,601,598
Excess (deficiency) of revenues over expenditures	(23,013,763)	(88,745)	28,993	(84,803)	820	8	58,340	(23,099,150)	(55,493,228)	32,394,078
Other financing sources (uses)										
Bond proceeds		9,801,416						9,801,416	10,600,000	(798,584)
Operating transfers in	23,066,710							23,066,710	44,982,728	(21,916,018)
Operating transfers out		(5,956,967)	(185,948)	(51,367)	(85,169)		(3,548,711)	(9,828,162)	(17,194,899)	7,366,737
Total other financing sources (uses)	23,066,710	3,844,449	(185,948)	(51,367)	(85,169)		(3,548,711)	23,039,964	38,387,829	(15,347,865)
Excess (deficiency) of revenues and other sources over expenditures and other uses	52,947	3,755,704	(156,955)	(136,170)	(84,349)	8	(3,490,371)	(59,186)	(17,105,399)	17,046,213
Fund balances, beginning of year	(639,974)	-	4,780,700	194,183	188,004	(8)	11,438,306	15,961,211	15,961,211	
Fund balances, end of year	$ (587,027)	$3,755,704	$4,623,745	$ 58,013	$ 103,655	$ -	$7,947,935	$ 15,902,025	$ (1,144,188)	$ 17,046,213

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, 2004

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	$ 9,176,414	$ 8,494,000	$ 682,414
Keesler Air Force Base, sewer	882,079	560,000	322,079
Interest income	115,916	138,000	(22,084)
Other income	6,133		6,133
Total revenues	10,180,542	9,192,000	988,542
Expenses			
Personal services	871,004	969,139	98,135
Contracted services	6,585,921	7,256,635	670,714
Other services and charges	1,787,925	2,268,150	480,225
Bond principal	114,298	114,298	
Interest expense	62,536	62,537	1
Transfers out	152,671	1,173,286	1,020,615
Total expenses	9,574,355	11,844,045	2,269,690
Excess (deficiency) of revenues over expenses	$ 606,187	$ (2,652,045)	$ 3,258,232

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, 2004

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	$ 2,442,436	$ 4,679,242	$ -	$ 7,121,678	$ 6,227,832	$ 893,846
COBRA contributions		51,116		51,116	60,000	(8,884)
Total revenues	2,442,436	4,730,358		7,172,794	6,287,832	884,962
Expenses						
Insurance and reinsurance	1,367,490	347,811		1,715,301	1,713,332	(1,969)
Claims expense	1,074,946	4,382,547		5,457,493	4,935,500	(521,993)
Total expenses	2,442,436	4,730,358		7,172,794	6,648,832	(523,962)
Excess of revenues over expenditures					(361,000)	361,000
Other financing sources						
Operating transfers in			700,000	700,000	700,000	
Excess of revenues and other sources over expenditures	$ -	$ -	$ 700,000	$ 700,000	$ 339,000	$ 361,000

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Reconciliation of Original Ad Valorem
Tax Rolls to Fund Collections
For the Year Ended September 30, 2004

	Assessed Value	Rate	Tax
Assessments			
Property taxes:			
City and school purposes	$ 326,600,853	66.78	$ 21,810,405
City purposes only	22,458,478	30.10	676,000
Personal, other than auto:			
City and school purposes	86,158,292	66.78	5,753,651
City purposes only	1,376,220	30.10	41,424
Public Utility assessment:			
City and school purposes	21,691,685	66.78	1,448,571
City purposes only	1,981,873	30.10	59,654
Personal, auto:			
City and school purposes	42,277,764	66.78	2,823,309
City purposes only	7,680,880	30.10	231,194
Total	$ 510,226,045		32,844,208
Less:			
Over 65 homestead and Social Security Disability allowances			(1,285,545)
Regular homestead tax allowances			(497,471)
Central Business District and Historical Preservation credits			(2,398)
Add:			
Over 65 Homestead and Social Security Disability reimbursements			534,560
Unaccrued prior year tax collections			434,597
Penalties and interest on delinquent taxes			307,380
Total to account for			$ 32,335,331
Actual collections allocated to			
General Fund			$ 8,576,071
Debt Service Fund			5,117,523
Disability and Relief Funds			2,082,455
School Funds			16,553,064
Total			32,329,113
Uncollected taxes and other			6,218
Total accounted for			$ 32,335,331

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Investments — All Funds
September 30, 2004

	Yield	Purchase Date	Maturity Date	Reported Amount	Fair Value
Governmental Funds					
General Fund					
Treasury Bill	1.71%	08/19/04	02/17/05	$ 1,583,517	$ 1,585,485
Money Market Fund	1.20%	various	N/A	694	694
Debt Service Fund					
Money Market Fund	1.20%	various	N/A	1,589,047	1,589,047
Capital Projects Funds					
GOPI 1998 Bond Fund					
Money Market Fund	1.20%	various	N/A	58,013	58,013
GOPI 2000 Bond Fund					
Money Market Fund	0.59%	various	N/A	103,655	103,655
GOPI 2002 Bond Fund					
Money Market Fund	0.59%	various	N/A	4,623,745	4,623,745
2003 GO Bond Fund					
Money Market Fund	0.59%	various	N/A	4,498,209	4,498,209
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.59%	various	N/A	7,956,635	7,956,635
Total investments, governmental funds				20,413,515	20,415,483
Proprietary funds					
Biloxi Port Fund					
Money Market Fund	1.20%	various	N/A	2,006,134	2,006,134
Total investments				$ 22,419,649	$ 22,421,617

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2004

	Date Issued	Original Issue	Balance October 1, 2003	New Issues	Retirements	Balance September 30, 2004	Requirements Year Ended September 30, 2005	
							Principal	Interest
General Obligation Bonds and Notes								
General Obligation Bonds of 1988 - A	06/01/88	$ 1,200,000	$ 450,000	$ -	$ 90,000	$ 360,000	$ 90,000	$ 27,360
General Obligation Bonds of 1988 - D	12/01/88	750,000	370,000		50,000	320,000	55,000	21,790
General Obligation Bonds of 1989 - A	02/15/89	750,000	370,000		50,000	320,000	55,000	20,475
Refunding Bond of 1995	11/01/95	4,135,000	2,340,000		615,000	1,725,000	650,000	73,045
GOPI 1998	12/22/98	10,000,000	7,955,000		570,000	7,385,000	600,000	294,551
GOPI 2000	05/01/00	6,500,000	4,915,000		590,000	4,325,000	625,000	210,125
Airport General Obligation Bonds, 2000	05/01/00	1,000,000	760,000		90,000	670,000	95,000	33,881
Mississippi Development Bank promissory note	01/04/01	3,025,000	2,344,357		302,508	2,041,849	302,497	104,676
General Obligation Bonds of 2002	12/01/02	6,000,000	6,000,000		180,000	5,820,000	190,000	266,905
General Obligation Bonds of 2003	12/01/03	9,800,000		9,800,000		9,800,000	480,000	496,772
Total General Obligation Bonds and Notes			25,504,357	9,800,000	2,537,508	32,766,849	3,142,497	1,549,580
Limited Obligation Bonds and Notes								
Tax Increment Financing, 1999	10/01/99	12,000,000	10,890,000		410,000	10,480,000	430,000	634,415
Mississippi Development Authority Loan	11/01/01	500,000	481,392		19,166	462,226	19,741	13,867
Tax Increment Financing, 2002	11/01/02	23,000,000	23,000,000		695,000	22,305,000	730,000	975,425
Total Limited Obligation Bonds and Notes			34,371,392		1,124,166	33,247,226	1,179,741	1,623,707
Total general long-term debt			59,875,749	9,800,000	3,661,674	66,014,075	4,322,238	3,173,287
Proprietary Funds Debt								
Water and sewer pollution control loans	1981-2001	2,685,427	1,860,468		114,298	1,746,170	118,238	58,503
Limited Tax Port Bonds, Series 1998	04/01/98	4,325,000	2,320,000		530,000	1,790,000	590,000	92,845
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	2,345,000		85,000	2,260,000	90,000	130,389
Total Proprietary Funds Debt			6,525,468		729,298	5,796,170	798,238	281,737
Totals			$ 66,401,217	$ 9,800,000	$ 4,390,972	$ 71,810,245	$ 5,120,476	$ 3,455,024

See Independent Auditors' Report.

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

Name	Position	Company	Bond
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	$ 100,000
Arlene Canaan	Councilwoman	Fidelity and Deposit Company of Maryland	100,000
Eric Dickey	Councilman	Fidelity and Deposit Company of Maryland	100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
Mike Fitzpatrick	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
Charles Harrison	Councilman	Fidelity and Deposit Company of Maryland	100,000
Tom Wall	Councilman	Fidelity and Deposit Company of Maryland	100,000
William L. Lanham	Deputy Clerk	Fidelity and Deposit Company of Maryland	50,000
Brenda Johnston	City Clerk/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
Ann B. Kriss	Court Clerk	Fidelity and Deposit Company of Maryland	10,000

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

See Independent Auditors' Report.

Section III

Statistical Section

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

	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01
Expenditure function				
General government	$ 4,066,268	$ 4,021,258	$ 4,159,184	$ 3,886,516
Parks and recreation	4,564,356	4,323,630	4,254,332	3,839,485
Public safety	23,522,963	22,412,569	22,203,686	20,080,649
Public works	8,829,393	8,114,028	7,639,287	7,506,841
Community development	2,826,769	2,922,240	3,777,394	2,944,613
Non-departmental	5,380,002	6,180,177	4,816,858	4,155,396
Retirement contribution	2,170,908	2,691,822	2,728,111	2,690,011
Capital outlay	24,268,911	27,887,935	18,041,127	17,726,160
Debt service:				
Principal	3,661,674	2,641,116	2,627,508	5,389,627
Interest	2,778,278	1,689,836	1,821,497	2,026,245
Totals	$ 82,069,522	$ 82,884,611	$ 72,068,984	$ 70,245,543

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

	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01
Revenue Source				
Taxes	$ 15,621,385	$ 16,494,797	$ 15,788,474	$ 15,570,922
Licenses and permits	3,597,812	3,661,074	3,320,782	3,403,789
Intergovernmental	38,546,261	37,250,012	36,101,336	37,451,946
Charges for services	982,416	1,129,740	1,213,723	1,174,942
Fines	1,156,867	1,180,109	1,133,113	1,387,709
Other	4,988,822	4,908,527	4,780,680	7,069,911
Totals	$ 64,893,563	$ 64,624,259	$ 62,338,108	$ 66,059,219

FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95
$ 3,236,454	$ 3,240,314	$ 2,973,058	$ 3,087,628	$ 3,123,473	$ 2,625,516
3,161,109	2,762,056	2,267,951	2,177,271	2,027,528	1,897,458
19,160,996	15,399,824	13,822,490	12,358,991	12,345,098	10,391,089
7,292,767	6,876,835	5,464,126	5,240,023	4,711,159	4,869,208
5,234,303	5,785,890	5,779,560	4,540,654	4,753,255	6,268,157
4,100,494	3,424,797	1,768,632	1,409,370	1,074,229	805,596
2,003,334	1,935,661	1,975,410	1,963,354	1,724,506	1,458,373
27,508,751	9,706,179	6,804,730	5,978,367	4,627,764	3,419,094
2,679,648	1,654,079	2,480,119	2,485,045	2,521,305	2,704,944
1,151,844	647,055	816,293	985,567	1,212,325	1,342,382
$ 75,529,700	$ 51,432,690	$ 44,152,369	$ 40,226,270	$ 38,120,642	$ 35,781,817

FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95
$ 15,129,168	$ 14,235,254	$ 14,319,944	$ 14,416,033	$ 13,452,688	$ 12,316,995
3,116,426	2,848,885	2,589,044	2,942,327	2,333,102	2,310,856
35,644,640	32,124,722	24,767,498	22,894,848	21,965,225	20,605,718
962,833	944,151	891,662	724,323	748,409	980,820
1,367,677	1,227,526	989,477	1,212,835	1,322,732	1,026,490
7,603,962	9,467,551	5,405,523	4,138,035	4,286,213	4,606,248
$ 63,824,706	$ 60,848,089	$ 48,963,148	$ 46,328,401	$ 44,108,369	$ 41,847,127

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

	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01
Gross tax levy before exemptions	$ 32,844,208	$ 33,079,067	$ 31,039,994	$ 30,181,505
Add special H/S exemption reimbursement	534,560	519,821	512,002	525,651
Add penalties and interest	307,380	391,212	344,764	277,091
Deduct special homestead exemption	(1,285,545)	(1,234,171)	(1,143,558)	(979,035)
Deduct regular homestead exemption	(497,471)	(492,160)	(483,527)	(409,214)
Deduct other credits	(2,398)	(363)		
Total Tax Levy	**31,900,734**	**32,263,406**	**30,269,675**	**29,595,998**
Current tax collections	31,894,516	32,095,387	29,505,708	28,845,271
Percent of current taxes collected	99.98%	99.48%	97.48%	97.46%
Delinquent tax collections	434,597	1,043,193	446,975	522,664
Total tax collected	32,329,113	33,138,580	29,952,683	29,367,935
Ratio of tax collected to tax levied	101.34%	102.71%	98.95%	99.23%
Outstanding delinquent taxes	6,218	168,019	763,967	750,727
Ratio of delinquent tax to total levy	0.02%	0.52%	2.52%	2.54%

	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01
Tax Levy Millage				
Tax year	2003	2002	2001	2000
City Funds				
General Fund	15.65	15.65	15.65	15.35
Garbage collection/disposal	2.25	2.25	2.25	2.55
Pension Funds	4.50	5.50	5.50	5.50
Debt Service Fund	7.70	6.70	6.70	6.70
Totals for City purposes	30.10	30.10	30.10	30.10
School Funds				
District maintenance	32.34	30.84	26.00	25.50
Minimum program			1.09	1.09
School debt	4.34	4.34	4.34	4.34
Totals for School purposes	36.68	35.18	31.43	30.93
Totals City and School	66.78	65.28	61.53	61.03

FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95
$ 25,909,370	$ 23,665,151	$ 23,444,114	$ 23,121,088	$ 23,355,884	$ 20,257,317
524,557	524,455	527,765	523,981	524,087	513,414
293,964	226,451	247,405	167,093	156,729	153,033
(1,150,864)	(1,131,455)	(1,178,118)	(1,186,046)	(1,207,603)	(1,181,870)
(362,694)	(360,220)	(359,653)	(359,850)	(359,091)	(352,917)
25,214,333	**22,924,382**	**22,681,513**	**22,266,266**	**22,470,006**	**19,388,977**
25,192,231	22,911,971	22,256,417	21,722,026	20,313,231	18,543,516
99.91%	99.95%	98.13%	97.56%	90.40%	95.64%
221,892	386,089	218,831	784,493	87,713	108,453
25,414,123	23,298,060	22,475,248	22,506,519	20,400,944	18,651,969
100.79%	101.63%	99.09%	101.08%	90.79%	96.20%
22,102	12,411	425,096	544,240	2,156,775	845,461
0.09%	0.05%	1.87%	2.44%	9.60%	4.36%

FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95
1999	1998	1997	1996	1995	1994
26.61	27.61	30.86	30.86	33.66	32.02
4.00	4.00	4.00	4.00	4.00	
7.00	7.00	8.00	8.00	8.00	7.50
8.60	9.10	10.10	11.85	12.65	18.04
46.21	47.71	52.96	54.71	58.31	57.56
35.00	33.50	33.00	33.00	33.00	33.00
1.50	1.50	2.00	2.00	2.00	2.00
2.60	2.60	2.60	2.35	2.75	3.50
39.10	37.60	37.60	37.35	37.75	38.50
85.31	85.31	90.56	92.06	96.06	96.06

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

	Real Property (1)		Personal Property	
Fiscal Year Ended	Assessed Value	Actual Value	Assessed Value	Actual Value
2004	$ 349,059,331	2,551,603,297	$ 87,534,512	$ 583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001 (2)	357,382,870	2,612,447,880	84,626,942	564,179,613
2000	171,458,879	1,253,354,379	70,078,864	467,192,427
1999	156,364,784	1,143,017,427	65,850,585	439,003,900
1998	145,958,532	1,066,948,333	62,375,669	415,837,793
1997	143,212,567	1,046,875,490	60,122,266	400,815,107
1996	133,742,569	977,650,358	64,387,269	429,248,460
1995	120,177,909	878,493,487	48,821,576	325,477,173

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

		City of Biloxi			Harrison
Fiscal Year Ended	**Tax Year**	Operating Millage	Debt Service	Total	Operating Millage
2004	2003	22.40	7.70	30.10	33.51
2003	2002	23.40	6.70	30.10	32.90
2002	2001	23.40	6.70	30.10	32.45
2001	2000	23.40	6.70	30.10	32.80
2000	1999	37.61	8.60	46.21	40.06
1999	1998	38.61	9.10	47.71	41.32
1998	1997	42.86	10.10	52.96	41.42
1997	1996	42.86	11.85	54.71	40.42
1996	1995	45.66	12.65	58.31	38.93
1995	1994	39.52	18.04	57.56	38.90

Utilities		Automobiles		Total		
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Ratio of Assessed to Actual
$ 23,673,558	$ 157,823,720	$ 49,958,644	$ 166,528,813	$ 510,226,045	$ 3,459,519,243	14.75%
22,826,980	152,179,867	48,284,298	160,947,660	524,521,242	3,569,916,250	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,288	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,880	15.26%
18,796,527	125,310,180	36,826,879	122,756,263	277,838,775	1,830,087,770	15.18%
18,389,461	122,596,407	32,473,483	108,244,943	259,197,145	1,713,627,476	15.13%
17,708,799	118,058,660	30,360,099	101,200,330	251,403,731	1,666,949,587	15.08%
15,853,782	105,691,880	29,377,671	97,925,570	243,361,291	1,610,516,268	15.11%
15,327,828	102,185,520	26,948,027	89,826,757	211,275,340	1,395,982,937	15.13%

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

County		Biloxi School District				
Debt Service	Total	Operating Millage	Debt Service	Total	Total Millage	Total City and School
2.19	35.70	32.34	4.34	36.68	102.48	66.78
2.80	35.70	30.84	4.34	35.18	100.98	65.28
3.25	35.70	27.09	4.34	31.43	97.23	61.53
3.40	36.20	26.59	4.34	30.93	97.23	61.03
3.36	43.42	36.50	2.60	39.10	128.73	85.31
2.10	43.42	35.00	2.60	37.60	128.73	85.31
2.00	43.42	35.00	2.60	37.60	133.98	90.56
3.00	43.42	35.00	2.35	37.35	135.48	92.06
4.49	43.42	35.00	2.75	37.75	139.48	96.06
4.50	43.40	35.00	3.50	38.50	139.46	96.06

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

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

Fiscal Year Ended 9/30	Estimated Population	Assessed Value (3)	Gross General Obligation Debt (4)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	48,972 (5)	$ 510,226,045	$ 32,766,849	$ 5,549,995	$ 27,216,854	5.33%	556
2003	48,972 (2)	524,521,242	25,504,357	5,588,664	19,915,693	3.79%	407
2002	48,978 (2)	520,839,739	21,736,865	3,926,622	17,810,243	3.42%	364
2001	49,780 (2)	510,512,661	23,994,373	3,920,177	20,074,196	3.93%	403
2000	50,644 (1)	303,412,170	26,169,000	3,817,572	22,351,428	7.37%	441
1999	47,759 (2)	277,838,775	17,395,000	3,914,477	13,480,523	4.85%	282
1998	47,448 (2)	259,197,145	8,960,000	2,607,639	6,352,361	2.45%	134
1997	47,199 (2)	251,403,731	11,330,000	2,310,637	9,019,363	3.59%	191
1996	47,373 (2)	243,361,291	13,710,000	1,572,684	12,137,316	4.99%	256
1995	48,815 (2)	211,275,340	14,730,000	1,532,805	13,197,195	6.25%	270

(1) 2000 Census
(2) Source: Population Estimates Program, Population Division, US Census Bureau, Washington, DC 20233
(3) Schedule " Assessed and Actual Value of Property"
(4) Includes notes; excludes debt paid from Enterprise Fund revenues
(5) Not available, used prior year number

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

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Direct:			
City of Biloxi	$ 27,216,854	100.00%	$ 27,216,854
Overlapping:			
Biloxi School District	26,500,000	100.00%	26,500,000
Harrison County	63,060,356	33.40%	21,062,159
Total overlapping	89,560,356		47,562,159
Totals	$ 116,777,210		$ 74,779,013

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

Fiscal Year Ended 9/30	Principal	Interest and Paying Agent Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004	$ 2,537,508	$ 1,239,965	$ 3,777,473	$ 82,069,522	4.60%
2003	2,232,508	957,870	3,190,378	82,884,611	3.85%
2002	2,257,508	1,098,074	3,355,582	72,068,984	4.66%
2001	5,039,627	1,291,873	6,331,500	70,245,543	9.01%
2000	2,679,648	1,151,844	3,831,492	75,529,700	5.07%
1999	1,654,079	647,055	2,301,134	51,432,690	4.47%
1998	2,480,119	816,293	3,296,412	44,152,369	7.47%
1997	2,485,045	985,567	3,470,612	40,226,270	8.63%
1996	2,521,305	1,212,325	3,733,630	38,120,642	9.79%
1995	2,704,944	1,342,382	4,047,326	35,781,817	11.31%

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

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
Water and Sewer Pollution Control Loans							
2004	$ 9,666,039	$ 10,600,079	$ (934,040)	$ 114,298	$ 62,537	$ 176,835	-528.20%
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)	98,107	62,742	160,849	-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	68,942	287,224	-227.68%
1999	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%
1998	7,581,089	6,987,718	593,371	178,164	68,965	247,129	240.11%
1997	7,716,226	6,472,490	1,243,736	161,713	78,227	239,940	518.35%
1996	7,298,062	5,777,670	1,520,392	157,575	126,718	284,293	534.80%
1995	7,091,855	5,690,471	1,401,384	1,201,973	209,960	1,411,933	99.25%
Biloxi Port Fund Bonds							
2004	2,722,260	1,747,190	975,070	615,000	277,487	892,487	109.25%

City of Biloxi, Mississippi
Demographic Statistics — Last Ten Fiscal Years

Fiscal Year Ended 9/30	Estimated Population (1)	Per Capita Income (2)	School Enroll-ment (3)	Unemployment Rate (4)
2004	48,972	not available	6,132	5.4
2003	48,972	not available	6,009	4.4
2002	48,978	25,693	5,854	5.1
2001	49,780	24,734	5,791	3.7
2000	50,644	24,157	5,895	4.2
1999	47,759	23,130	5,991	3.5
1998	47,448	22,148	6,053	3.9
1997	47,199	20,394	6,143	4.6
1996	47,373	19,657	6,219	4.9
1995	48,815	18,629	6,257	6.4

(1) 2000 population is US Census data; intervening years are taken from " Population Estimates for Places? , Annual Time Series; April 1, 1990 Population Estimates Base" . Area annexed in 1999 is excluded.
(2) US Department of Commerce, Bureau of Economic Analysis " Local Area Personal Income"
(3) Biloxi School District
(4) 12 month moving average, City of Biloxi, Harrison County, Mississippi Department Employment Security

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

Fiscal Year Ended 9/30	Real Property Appraised Value (1)	Commercial Construction		Residential Construction		Bank Deposits		
		Number of Units	Value	Number of Units	Value	Bank and Thrifts (2)	Credit Unions (3)	Total (1,000's)
2004	2,551,603,297	386	$ 210,154,061	1,150	$ 39,727,572	$ 711,428	$ 881,223	$ 1,592,651
2003	2,659,723,056	402	85,138,038	1,139	35,023,581	695,811	804,920	1,500,731
2002	2,665,750,592	296	31,871,067	984	39,028,299	711,099	677,365	1,388,464
2001	2,612,447,880	341	71,835,806	971	29,935,714	697,784	569,154	1,266,938
2000	1,253,354,379	370	61,893,037	1,046	25,582,750	699,772	505,394	1,205,166
1999	1,143,017,427	383	59,679,732	1,170	28,748,157	519,086	477,325	996,411
1998	1,066,948,333	317	74,546,149	722	24,357,696	471,027	421,789	892,816
1997	1,046,875,490	440	299,429,173	712	19,937,665	471,751	396,322	868,073
1996	977,650,358	373	47,967,067	662	17,542,792	401,119	357,628	758,747
1995	878,493,487	134	27,775,682	228	34,447,617	383,149	342,610	725,759

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

City of Biloxi, Mississippi
Principal Taxpayers
September 30, 2004

Taxpayer	Type of Business	2003 Assessed Value	Percentage of Total Assessed Valuation
Beau Rivage	Casino resort	$ 68,068,899	13.30%
Grand Casino	Casino resort	32,348,080	6.32%
Imperial Palace	Casino resort	21,480,465	4.20%
Isle of Capri Casino	Casino resort	17,896,829	3.50%
Casino Magic	Casino resort	16,617,032	3.25%
Mississippi Power	Electrical utility	11,110,396	2.17%
Mastar	Pet food manufacturing	8,674,057	1.69%
The New Palace Casino	Casino resort	8,603,031	1.68%
Bell South	Telecommunications	8,596,374	1.68%
President Casino	Casino resort	5,604,828	1.10%
Totals		$ 198,999,991	38.89%

Based on assessment rolls for tax year 2003 (taxes to be collected in 2004)

City of Biloxi, Mississippi
Miscellaneous Statistics For the Year Ended September 30, 2004

Date of Incorporation	February 18, 1838
Form of Government	Mayor / Council
Number of Employees (excluding police and fire)	
classified	281
exempt	88
Area in Square Miles	62
Government Facilities and Services	
Culture and Recreation	
Community Centers	4
Parks	26
Park Acreage	170
Golf Courses	0
Swimming Pools	20
Tennis Courts	16
Fire Protection	
Number of Stations	9
Number of Fire Personnel	178
Number of Calls Answered	3,939
Number of Inspections Conducted	3,500
Police Protection	
Number of Stations	1
Number of Police Personnel and Officers	196
Number of Patrol Units	165
Number of law violations	
Physical Arrests	10,772
Traffic Violations	10,274
Parking Violations	308
Sewerage System	
Miles of Sanitary Sewers	235
Number of Treatment Plants	3
Number of Service Connections	13,500
Daily Average Treatment in Gallons	11,110,989
Maximum Daily Capacity of Treatment Plants in Gallons	18,923,800
Water System	
Miles of Water Mains	234
Number of Service Connections	14,273
Number of Fire Hydrants	2,996
Daily Average Consumption in Gallons	7,712,715
Maximum Daily Capacity of Plant in Gallons	14,973,000
Facilities and Services not Included in the Reporting Entity	
Education	
Number of Elementary Schools	7
Number of Elementary School Instructors	220
Number of Secondary Schools	3
Number of Secondary School Instructors	186
Number of Community Colleges	1
Number of Universities	0
Hospitals	
Number of Hospitals	4
Number of Patient Beds	1,318

Section IV

Compliance Section

City of Biloxi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2004

Grantor Federal Agency / Pass-Through Agency / Program Title	Federal CFDA Number	Grant No. / Pass-Through Grantor No.	Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant (CDBG)	14.218	B-02-MC-28-0001	$ 521,477
Department of Treasury			
Bureau of Alcohol, Tobacco, and Firearms:			
Gang Resistance Education and Training	21.053	ATC02DD12	9,694
Executive Office of the President			
Office of National Drug Control Policy:			
High Intensity Drug Trafficking Area		I1PGCP514Z	19,088
Department of Homeland Security			
Passed through Mississippi Emergency Management Agency:			
Public assistance	97.036	FEMA-1436-DR-MS	229,438
Homeland Security	97.067		79,639
Total			309,077
Total expenditures of federal awards			$ 859,336

See Independent Auditors' Report.

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

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the 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, as of and for the year ended September 30, 2004, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated January 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended 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.

Certified Public Accountants

Biloxi, Mississippi
January 13, 2005

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

To the City Council
City of Biloxi
Biloxi, Mississippi

Compliance

We have audited the compliance of the City of Biloxi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The City of Biloxi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi's management. Our responsibility is to express an opinion on the City of Biloxi's compliance based on our audit.

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

In our opinion, the City of Biloxi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

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

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

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

Certified Public Accountants

Biloxi, Mississippi
January 13, 2005

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1 — Summary of Auditors' Results

1. An unqualified opinion was issued on the basic financial statements.

2. There were no reportable conditions in internal control disclosed by the audit of the basic financial statements.

3. The audit did not disclose any noncompliance which is material to the basic financial statements.

4. The audit did not disclose any material weaknesses in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit did not disclose any audit findings which are required to be reported under Section __.510(a) of OMB Circular A-133.

7. The major programs were:

   Community Development Block Grant 14.218

8. The dollar threshold used to distinguish between Type A and Type B Programs was $300,000.

9. The auditee did qualify as a low-risk auditee.

Section 2 — Finding Relating to the Financial Statements

None

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

None

The City of Biloxi, Mississippi
Summary Schedule of Prior Audit Findings
For the Year ended September 30, 2004

There were no prior audit findings relative to federal awards.