CITY OF GAUTIER, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,537,339	1,513,405	3,050,744
Restricted cash and cash equivalents	4,175,810	1,278,254	5,454,064
Receivables, net	580,364	585,887	1,166,251
Internal Balances	-	-	-
Other assets	-	108,620	108,620
Capital assets:			
Land & Construction in Progress	1,316,635	1,188,570	2,505,205
Other capital assets, net of Depreciation	9,458,905	30,865,314	40,324,219
Total capital assets	10,775,540	32,053,884	42,829,424
Total assets	17,069,053	35,540,050	52,609,103
LIABILITIES			
Accounts payable	95,404	380	95,784
Accrued Expenses & Interest Payable	130,310	167,386	297,696
Compensated absences, current	74,986	9,894	84,880
Customer deposits	-	542,820	542,820
Long-term liabilities:			
Due within one year	875,923	1,363,968	2,239,891
Due in more than one year	9,252,245	15,359,010	24,611,255
Total liabilities	10,428,868	17,443,458	27,872,326
NET ASSETS			
Investment in capital assets (net of related debt)	4,010,540	14,166,537	18,177,077
Restricted net assets:			
Debt service	129,530	794,445	923,975
Bond contingency fund	-	483,809	483,809
Unrestricted net assets	2,500,115	2,651,801	5,151,916
Total net assets	$ 6,640,185	18,096,592	24,736,777

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

		Program Revenue			Net (expense) revenue and changes in net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General Government	$ 2,416,644	93,917	952,104	-	(1,370,623)	-	(1,370,623)
Public Safety	5,889,030	1,043,680	178,655	-	(4,666,695)	-	(4,666,695)
Public Works	1,261,218	-	-	-	(1,261,218)	-	(1,261,218)
Culture and Recreation	276,678	-	-	-	(276,678)	-	(276,678)
Debt service – interest	367,684	-			(367,684)		(367,684)
Total Government Activities	$10,211,254	1,137,597	1,130,759	-	(7,942,898)	-	(7,942,898)
Business-type activities:							
Water & Sewer Fund	4,497,343	6,332,087	-	497,269	-	2,332,013	2,332,013
Solid Waste	1,344,836	1,285,492	-	-	-	(59,344)	(59,344)
Total Business-type Activities	5,842,179	7,617,579		497,269		2,272,669	2,272,669
Total Primary	$16,053,433	8,755,176	1,130,759	497,269	(7,942,898)	2,272,669	(5,670,229)
			General Revenues:				
			Property Taxes		3,478,622	-	3,478,622
			Franchise Taxes		175,076	-	175,076
			Intergovernmental		3,093,971	-	3,093,971
			Interest Income		11,864	3,674	15,538
			Miscellaneous		480,332	409,211	889,543
			Total General Revenues		7,239,865	412,885	7,652,750
			Changes in Net Assets		(703,033)	2,685,554	1,982,521
			Net assets, beginning		6,189,325	16,564,928	22,754,253
			Settlement of Interfund Balances		496,767	(496,764)	3
			Interfund Transfers		657,126	(657,126)	-
			Net Assets, ending		$ 6,640,185	18,096,592	24,736,777

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF GAUTIER, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	MS Development Katrina Loan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 736,041	-	801,298	1,537,339
Receivables, net	371,252	-		371,252
Total current assets	1,107,293	-	801,298	1,908,591
Noncurrent assets:				
Restricted cash	-	129,530	-	129,530
Total assets	$ 1,107,293	129,530	801,298	2,038,121
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 7,614	-	87,790	95,404
Other accrued liabilities	130,310	-		130,310
Compensated absences, Current	74,986	-		74,986
Total liabilities	212,910	-	87,790	300,700
Fund balances:				
Reserved for:				
Debt service	-	129,530	-	129,530
Unreserved:				
General fund	894,383	-	713,508	1,607,891
Special revenue funds	-	-	-	-
Total fund balances	894,383	129,530	713,508	1,737,421
Total liabilities and fund balances	$ 1,107,293	129,530	801,298	2,038,121

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2011

Total governmental funds balance		**$ 1,737,421**
Amounts reported for governmental activities in the statement of net assets are different because:		
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.		
Governmental capital assets	$ 14,228,218	
Less: accumulated depreciation	(3,452,678)	10,775,540
Court Fines Receivable		209,112
Balance in Bond Issue account		4,046,280
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes		(9,896,459)
Compensated absences		(231,709)
Net assets of governmental activities		**$ 6,640,185**

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	General Fund	MS Development Katrina Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 3,359,942	-	118,680	3,478,622
Franchise fees	175,076	-	-	175,076
Fees and fines	840,568	-	-	840,568
Licenses and permits	93,917	-	-	93,917
Intergovernmental	2,998,686	-	95,285	3,093,971
Interest income	3,537	-		3,537
Grants	758,478	-	366,281	1,124,759
Miscellaneous	724,828	-	103,312	828,140
Total revenues	8,955,032	-	683,558	9,638,590
EXPENDITURES				
Current:				
General government	2,264, 024	1,000		2,265,024
Public safety	5,606,078	-	20,222	5,626,300
Public works	1,191,306	-	19,628	1,210,934
Culture and recreation	157,999	-	118,679	276,678
Debt service:				
Interest and fiscal charges	541,471	325,465	-	866,936
Capital outlay	572,773	-	407,725	980,498
Total expenditures	10,333,651	326,465	566,254	11,226,370
Excess of revenues over (under) expenditures	(1,378,619)	(326,465)	117,304	(1,587,780)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	368,921	288,205		657,126
Total other financing sources (uses)	368,921	288,205	-	657,126
Net changes in fund balances	(1,009,698)	(38,260)	117,304	(930,654)
Fund balance - beginning of year	1,904,082	167,790	596,204	2,668,076
Rounding adjustments	(1)			(1)
Fund balance - end of year	$ 894,383	129,530	713,508	1,737,421

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Net change in fund balances - total governmental funds		**$ (930,654)**
Amounts reported for governmental activities in the statement of activities are different because:		
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. Also, transfers out are not recorded.		
Capital outlay	$ 980,498	
Depreciation	(312,759)	
Excess of depreciation expense over capital outlay		667,739
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Transfers		(657,126)
Net Adjustments for compensated absences		(23,179)
Principal paid on debt		499,252
Court Fines Receivable		209,112
Interim Interest Earned on Bond Issue Proceeds		8,327
Lease Purchase Proceeds		(347,808)
		(311,422)
Other Differences		
Bond issue costs recorded in Bond Fund		(128,696)
Changes in net assets of governmental activities		**$ (703,033)**

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,390,661	122,744	1,513,405
Accounts receivable, net	585,887	-	585,887
Other Assets	4,408	104,212	108,620
Total current assets	1,980,956	226,956	2,207,912
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	1,278,254	-	1,278,254
Capital assets:			
Land	1,188,570	-	1,188,570
Other capital assets, net of accumulated depreciation	30,837,060	28,254	30,865,314
Total noncurrent assets	33,303,884	28,254	33,332,138
Total assets	35,284,840	255,210	35,540,050
LIABILITIES			
Current liabilities:			
Accounts payable	380		380
Other accrued liabilities	167,386		167,386
Compensated absences payable	9,894		9,894
Bonds and notes payable	1,363,968	-	1,363,968
Payable from restricted assets:			
Customer deposits	542,820	-	542,820
Total current liabilities	2,084,448	-	2,084,448
Noncurrent liabilities:			
Compensated absences	24,201	-	24,201
Bonds and notes payable	15,334,809	-	15,334,809
Total noncurrent liabilities	15,359,010	-	15,359,010
Total liabilities	17,443,458	-	17,443,458
NET ASSETS			
Invested in capital assets, net of related debt	14,138,283	28,254	14,166,537
Restricted:			
Debt service	794,445	-	794,445
Bond contingency fund	483,809	-	483,809
Unrestricted	2,424,845	226,956	2,651,801
Total net assets	$ 17,841,382	255,210	18,096,592

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 6,332,087	1,285,492	7,617,579
Grants	497,269	-	497,269
Other	409,211	-	409,211
Total operating revenues	7,238,567	1,285,492	8,524,059
OPERATING EXPENSES			
Personnel services	1,062,103	39,414	1,101,517
Wastewater treatment	1,216,512	-	1,216,512
Waste collections and disposals	-	1,252,783	1,252,783
Utilities	192,674	-	192,674
Supplies	253,352	-	253,352
Maintenance and repairs	46,183	-	46,183
Depreciation	556,921	8,697	565,618
Other services and charges	457,358	43,942	501,300
Total operating expenses	3,785,103	1,344,836	5,129,939
Operating income (loss)	3,453,464	(59,344)	3,394,120
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,674	-	3,674
Interest expense	(712,240)	-	(712,240)
Total nonoperating revenues (expenses)	(708,566)	-	(708,566)
Changes in net assets	2,744,898	(59,344)	2,685,554
Transfer In (Out)	(657,126)		(657,126)
Total net assets - beginning of year	15,753,608	314,555	16,068,163
Rounding adjustments	2	(1)	1
Total net assets - end of year	$17,841,382	255,210	18,096,592

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE PROPRIETARY FUNDS NET ASSSETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2011

Total Proprietary Fund net assets	**$18,096,592**
Differences in Interfund Balances	0
Net assets of proprietary activities on government-wide statement of net assets	**$18,096,592**

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	$ 6,148,128	1,285,492	7,433,620
Cash received from grants	497,269	-	497,269
Payments for goods and services	(3,584,900)	(1,400,937)	(4,985,837)
Payments to employees	(1,037,566)	(39,414)	(1,076,980)
Other receipts	409,211	-	409,211
Net cash provided (used) in operating Activities	2,432,142	(154,859)	2,277,283
Cash flows from noncapital financing activities:			
Transfers effecting cash balances	(657,126)	-	(657,126)
Net cash provided (used) by noncapital financing activities	(657,126)	-	(657,126)
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(416,825)	-	(416,825)
Principal paid on capital debt	(1,363,880)	-	(1,363,880)
Settlement of Interfund Balance	(496,764)	-	(496,764)
Interest paid on capital debt	(712,240)	-	(712,240)
Other	(13,132)	-	(13,132)
Net cash used in capital and related financing Activities	(3,002,841)	-	(3,002,841)
Cash flows from investing activities:			
Restricted customer deposits	39,353	-	39,353
Interest received	3,674	-	3,674
Net cash provided by investing activities	43,027	-	43,027
Net decrease in cash and cash equivalents	(1,184,798)	(154,859)	(1,339,657)
Cash and cash equivalents:			
Beginning of the year	2,575,459	277,603	2,853,062
End of the year	$1,390,661	122,744	1,513,405

The notes to the financial statements are an integral part of this statement.

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 3,453,464	(59,344)	3,394,120
Adjustments to reconcile operating (income) loss to net cash			
Depreciation expense	556,921	8,697	565,618
Increase (decrease) in current assets:			
Accounts receivable & prepaids	(4,105)	(104,212)	(108,317)
(Increase) decrease in current liabilities:			
Accounts payable	23,322		23,322
Transfer to other funds	(657,126)	-	(657,126)
Other liabilities	(228,094)	-	(228,094)
Interest Paid	(712,240)	-	(712,240)
Net cash provided by (used in) operating Activities	$ 2,432,142	(154,859)	2,277,283

The notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gautier, Mississippi was incorporated on June 17, 1986. The City operates under a Council-Manager form of government described under Title 21, Chapter 9, of the Mississippi Code of 1972. The City provides the following services, as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water, sewer and gas system.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City with the option of electing to apply FASB pronouncements issued after that date. The City has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City implemented the general provisions of GASB Statement Nos. 33 and 34 during fiscal year ended September 30, 2004.

A. Financial Reporting Entity

These financial statements present the City (the primary government) only. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

-the organization is legally separate (can sue and be sued in their own name)
-the City holds the corporate powers of the organization
-the City appoints a voting majority of the organization's board
-the City is able to impose its will on the organization
-the organization has the potential to impose a financial benefit/burden on the City
-there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Gautier has no component units.

B. Basic Financial Statements - Government-wide statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer system and solid waste management services are classified as business-type activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, culture and recreation, etc.). The functions are also supported by general governmental revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Government-Wide Statement of Activities reduces gross expenses (including depreciation) by related program revenues and by operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital- specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the Water and Sewer Fund to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

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

Governmental Funds:

The focus of governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds include: Fire Protection Fund, Recreation Fund, Tideland Grant Fund, etc.

3. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

4. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The City had capital projects funds during the year ended September 30, 2011.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

1. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. These funds include: Water and Sewer System Fund, Solid Waste Fund and related projects.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Capital Assets:

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings 20-50 years Water and sewer system 30-35 years Machinery and equipment 7-10 years Improvements 30-35 years Other infrastructures 10-60 years Vehicles 5 years GASB Statement No. 34 required the City to report and depreciate new infrastructure assets beginning in 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal years ended in 2006. As of the year ending September 30, 2011, the City has not implemented retroactive infrastructure reporting. The City implemented the general provisions of GASB No. 34 during 2004.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses, and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures:

Expenditures are recognized when the related fund liability is incurred.

Compensated Absences:

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years generally. Upon termination, pursuant to State Law, the City may pay up to 30 days of accumulated vacation ; the balance is credited to the employee's public retirement (PERS) account.

Sick leave is not paid upon termination. The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity:

Interfund activity consists of loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.