NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally-required funds used by the City include the following:

Fund:	Required By:
CDBG Fund	Grant Agreement
Water & Sewer Fund	Trust Indenture
Solid Waste Fund	State Law

B. Deposits and Investments - Laws and Regulations

State law requires that all deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are 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 FDIC. The City's deposits were fully insured or collateralized as required by statute at September 30, 2011. At year-end, the respective bank balances totaled $8,804,808. There were no certificates of deposit outstanding at September 30, 2011.

C, Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restrictions in Use:
Sales Tax	Sewer Rehabilitation Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Road Purposes
Water and Sewer Revenue	Debt Service and Utility Operations
Grant Program Expenditures	Grant Agreements
Ad Valorem Tax	Debt Service

For the year ended September 30, 2010 the City complied, in all material respects, with these revenue restrictions.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

D. Debt Restrictions and Covenants

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

The City deposits funds in financial institutions selected by the City's Councilmen in accordance with Mississippi statutes. Allocation of the resulting balance is accomplished with inter-bank transfers. Approved city depositories for the calendar years 2010-2011 were as follows:

	Allocation Percentage
Hancock Bank	50%
Merchant and Marine Bank	25%
Peoples Bank	25%
	100%

By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2011, fall into the credit risk category of "Insured or collateralized with securities held by the entity or its agent in the entity's name."

Deposits at September 30, 2011, (including restricted deposits) were as follows:

	Bank Balances
Pooled deposits:	
Cash and cash equivalents	$ 3,050,744
Non-pooled deposits:	
Cash and cash equivalents:	
Capital Improvement Bond Fund	4,046,280
Debt Service Fund	794,445
Contingency Fund	483,809
MS Development Loan	129,530
	$ 8,504,808

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Restricted Cash

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) related to their required note payable accounts and amounts held in trust for customer utility meter deposits.

The restricted assets as of September 30, 2011, were as follows:

Types of Restricted Assets	Cash Including Time Deposits
Capital Improvement Bond Fund	$ 4,046,280
Bond Contingency Fund	483,809
Series 2001 Utility System Refunding Bond	794,445
2008 MS Development Loan	129,530
	$ 5,454,064

C. Accounts Receivable

Accounts receivable at September 30, 2011, consisted of the following:

	Accounts Receivable	Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental activities:			
General Fund:			
Ad valorem taxes	$ 83,414	-	83,414
Municipal court	5,227,800	5,018,688	209,112
Sales tax	287,838	-	287,838
		-	
Total General Fund	5,599,052	5,018,688	580,364
Business-type activities:			
Enterprise Fund:			
Water and sewer collections	2,106,976	1,521,089	585,887
Total business-type activities	2,106,976	1,521,089	585,887
Total government-wide activities	$ 7,706,028	6,539,777	1,166,251

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

Capital assets have not been audited.
Capital assset activity for the year ended September 30, 2011, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	743,862			743,862
Construction in Progress		572,774		572,774
Total capital assets not being depreciated	743,862	572,774	0	1,316,636
Capital assets being depreciated:				
Buildings & Improvements	2,176,725	607,759		2,784,484
Machinery & Equipment	6,714,502	407,725		7,122,227
Infrastructure	1,499,776	1,505,095		3,004,871
Total capital assets being depreciated	10,391,003	2,520,579	0	12,911,582
Less accumulated depreciation for:				
Buildings & improvements	(418,387)			(418,387)
Machinery & Equipment	(2,695,727)	(310,592)		(3,006,319)
Infrastructure	(25,805)	(2,167)		(27,972)
Total accumulated depreciation	(3,139,919)	(312,759)	0	(3,452,678)
Total Capital assets being depreciated, net	7,251,084	2,207,820	0	9,458,904
Total governmental activities capital assets, net	7,994,946	2,780,594	0	10,775,540
Business-type Activities:				
Capital Assets not being Depreciated:				
Land & Easements	1,188,570			1,188,570
Construction in Progress	1,824,227	416,825	(2,241,052)	0
Total capital assets not being depreciated	3,012,797	416,825	(2,241,052)	1,188,570
Capital assets being depreciated:				
Buildings & improvements	2,223,960			2,223,960
Machinery & Equipment	1,627,426			1,627,426
Infrastructure	39,882,585	2,241,052		42,123,637
Total capital assets being depreciated	43,733,971	2,241,052	0	45,975,023
Less accumulated depreciation for:				
Buildings & improvements	(366,773)	(8,697)		(375,470)
Machinery & Equipment	(1,156,597)	(195,422)		(1,352,019)
Utility System	(13,020,721)	(361,499)		(13,382,220)
Total accumulated depreciation	(14,544,091)	(565,618)	0	(15,109,709)
Total Capital assets being depreciated, net	29,189,880	1,675,434	0	30,865,314
Total business-type activities capital assets, net	32,202,677	2,092,259	(2,241,052)	32,053,884
Primary Government				
Total capital assets, net	40,197,623	4,872,853	(2,241,052)	42,829,424

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A summary of general fixed assets transactions for the year ended September 30, 2011, follows:

	Expended through September 30, 2011	Remaining Commitment
Business-type activities (in progress at 09-30-10):		
Allen Road Water and Sewer Expansion	$ 451,377	--
Lift Station Upgrade	2,503,100	--
Water Improvements - Old Spanish Trail	1,534,115	--
Highway 90/57 Sewer System Expansion	6,361,715	--
Total	$10,362,379	--
Transferred to infrastructure	(7,430,148)	
Transferred to land & easements	(801,974)	
Adjustment to construction estimate	(306,030)	
Total transferred and added to fixed assets	(10,362,379)	
Business-type Activities - other		
Infrastructure addition	416,825	
Government Activities		
Construction in Progress at 09-30-11	572,774	5,090,828
Machinery & equipment purchased	407,725	
Infrastructure added	1,505,095	
Building Improvement	607,759	
Total	2,520,579	

Depreciation expense was charged to functions/programs for the year ended September 30, 2011, as follows:

Governmental activities:	
General government	$ 312,759
Business-type activities:	
Water and Sewer Fund	$ 556,921
Solid Waste Fund	8,697
Total business-type activities depreciation expense	$ 565,618

E. Accounts Payable

Payables are composed of amounts due to vendors within 60 days of year end and accrued salaries and benefits.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Long-Term Debt

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2010, is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 9,198,650	347,808	525,922	9,020,536	875,923
Compensated absences	208,531	23,178	0	231,709	74,986
Total governmental activities long-term liabilities	$ 9,407,181	370,986	525,922	9,252,245	950,909
Business-type activities:					
Water and sewer debt	$16,698,689	-	1,363,880	15,334,809	1,363,968
Compensated absences	16,636	7,565	-	24,201	9,894
Total business-type activities long-term liabilities	$16,715,325	7,565	1,363,880	15,359,010	1,373,862

Description of Debt

At September 30, 2010, notes payable consisted of the following individual issues:

	General Long-Term Debt
Governmental activities:	
General obligation bonds and notes:	
General Obligation Katrina Refunding Bond Series 2010; bearing interest at 3.45%, maturing March 2020	$ 2,160,000
General Obligation Bond Series 2010; Capital Improvements; Maturing August, 2030; bearing interest at 3.13%	6,765,000
Police Court package Loan; 2.60% interest; maturing, May, 2015; annual payments Of $ 73,040 until paid	273,650
Police Court Package Loan; 2.920% interest; maturing December, 2013; annual payments Of $ $ 123,243 until paid	347,808
Unsecured community disaster loan, bearing interest at 2.80%, maturing March 2011	350,000
Total general obligation bonds and notes	9,896,458
Compensated absences	306,696
Less current portion of long-term debt	(950,909)
Total governmental activities long-term debt	$ 9,252,545

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Business-type activities:	
Revenue Refunding Bond:	
Series 2001 Refunding Bond, payable in semiannual installments, bearing interest at a variable rate, currently 4.25%, maturing March 2019, secured by utility system revenues	$ 9,905,000
Revenue Bonds:	
State Revolving Fund Loan, payable in monthly installments of $9,019, beginning October 2006, bearing interest at 3.56%, maturing January 2026, secured by utility system revenues	1,218,483
State Revolving Fund Loan, payable in monthly installments of $10,949, beginning September 2006, bearing interest at 1.75%, maturing January 2026, secured by utility system revenues	1,664,490
State Revolving Fund Loan, payable in monthly installments of $7,877, beginning April 2006, bearing interest at 1.75%, maturing April 2025, secured by utility system revenues	1,142,083
State Revolving Fund Loan, payable in monthly installments of $3,765, beginning November, 2009; bearing interest at 1.95%, secured by utility system revenues	680,226
State Revolving Fund Loan, payable in monthly installments of $ 2,149, beginning October, 2009; bearing interest at 1.95%, secured by utility system revenues	362,188
State Revolving Fund Loan, payable in monthly installments of $ 9,665, beginning December, 2009, bearing interest at 2.75%, secured by utility system revenues	1,633,525
Total general obligation bonds and notes	16,605,995
SCADA Loan, Hancock Bank, $48,551 per month, bearing interest at 3.15 %	92,782
Compensated absences	34,095
Less current portion of long-term debt	(1,373,862)
Total business-type activities long-term debt	$15,359,010

Revenue Refunding Bond

Utility System Revenue Refunding Bonds, Series 2001, were issued for the purpose of providing for the refunding of all maturities of the Gautier Utility District's outstanding Combined Utility System Revenue Bonds, Series 1992, issued in the principal amount of $19,970,000, in order to accomplish debt service savings for the District. The bond is payable solely from net revenues from water and sewer system operation. The Gautier Utility District was merged into the City of Gautier during fiscal year ended September 30, 2002.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The bonds are collateralized by the revenues of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond Funds. As long as the bonds are outstanding, the City agreed to fix and maintain rates and collect charges for the use and services of the System, which will at all times be sufficient to meet specified requirements. The balance outstanding at September 30, 2011, was $ 9,905,000.

Revenue Bonds State revenue bonds are collateralized by the revenues of the water and sewer funds. The City executed several long-term debt agreements with the State of Mississippi Environmental Quality for the purpose of improving the water distribution and sewer collection systems. The City entered into an agreement with the Mississippi State Tax Commission, allowing the Tax Commission to withhold $43,424 from monthly sales tax revenues as payment for principal and interest on bonds beginning in fiscal year 2006. The balance outstanding on these bonds, as of September 30, 2011, was $6,700,995.

Debt Maturity

Debt service requirements at September 30, 2011, were as follows:

	Governmental Activities Notes & Capital Leases		Business-type Activities Water and Sewer Bonds & Notes	
	Principal	Interest	Principal	Interest
2012	989,010	304,691	1,433,589	652,281
2013	664,777	288,458	1,498,551	584,706
2014	686,977	271,490	1,520,224	513,707
2015	585,694	253,586	1,567,228	437,494
2016-2020	2,920,000	993,893	7,172,955	854,986
2021-2025	2,355,000	688,874	2,319,609	286,018
2026-2030	1,695,000	169,767	1,186,621	55,289
Total	$ 9,896,458	2,970,759	16,698,777	3,384,481

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Interfund Balances

Interfund balances at September 30, 2011, consisted of the following:

	DUE FROM:					
	Governmental Activities			Business-Type Activities		
DUE TO:	General Fund	MS Development	Other Governmental Funds	Water and Sewer Fund	Solid Waste Fund	Total
Governmental activities:						
General Fund	$ -	-	-	-	-	-
MS Development		-		-		-
Other Governmental Funds	-	-	-	-		
Business-type Activities:						
Water and Sewer Fund	-	-	-		-	-
Solid Waste Fund Total	-	-	-		-	-
Total	$ -	-	-	-	-	-

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Since all interfund balances were reclassified as revenues or expenditures respectfully, there were no remaining interfund balances at the fiscal year end.

H. Interfund Transfers

Transfer balances at September 30, 2010, consisted of the following:

	TRANSFERS IN:		
	Governmental Activities	Business-Type Activities	
TRANSFERS OUT:	Other Governmental Fund	Other Business-Type Fund	Total
Governmental activities:			
General Fund	$ 657,126	-	657,126
MS Development	-	-	-
Other Governmental Funds	-	-	-
Business-type activities:			
Water and Sewer Fund	-	(657,126)	(657,126)
Solid Waste	-	-	-
Total	$ 657,126	(657,126)	-

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4. OTHER NOTES

A. Property Tax

Property tax is levied on the assessed (appraised) value as compiled by the Jackson County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30, following a series of public hearings to receive citizen objections.

Resulting taxes are due on or before February 1. Installment payments are accepted on or before February 1, May 1, and August 1. An inter-local government agreement, effective October 1, 1989, provided for billing and collection of City and Pascagoula School District taxes by Jackson County, Mississippi.

Included in revenues are taxes for automobile tags, which are assessed and collected by Jackson County.

Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

The City is required by law to assess and collect taxes necessary for operation of the Jackson-George Regional Library System and for service of certain related debt. Jackson-George Regional Library System provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. Jackson-George Regional Library System is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over library operations or approve budgets.

For the year ended September 30, 2011, the City's 2011 tax rate was as follows:

	MILLS
General Fund	21.930
Library Fund	1.000
Debt Service	2.840
Total	25.770

NOTE 4. OTHER NOTES (continued)

B. Pension Plans

Defined Benefit Pension Plan

Plan Description - The City of Gautier 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 9.00%, (effective July 1, 2010) of their annual covered salary and the Jackson County Utility Authority is required to contribute at an actuarially determined rate. The current rate of 12.00% of annual covered payroll is contributed by the City. These were the rates for the entire FY 2011. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature.

The City of Gautier's contributions to PERS for the years ended September 30, 2011 and 2010 were $666,917 and $663,584, respectively, representing 100% of the required contributions for the year.

Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribe that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 4. OTHER NOTES (continued)

C. Commitments and Contingencies

Related Party Transactions

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

Grants and Awards The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

Litigation - various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

Contract Commitments Service Contracts:

On May 17, 1988, the City entered into an agreement with Jackson County, under which the County provides animal shelter services for a current fee of $10,560 per year.

On January 1, 1988, the City entered into an agreement with Mississippi Regional Housing Authority No. VIII (the Housing Authority) for the development of low-income housing units operated by the Housing Authority within the municipality. Under the agreement, all projects are exempt from all real and personal property taxes and special assessments levied by any taxing body. The Housing Authority makes annual payments in lieu of such taxes for the public services and facilities furnished by the City. Annual payments would be the lesser of 10% of shelter rent collected or the amount permitted to be paid by state law in effect on the date payment is made.

The City's six-year contract for trash collection services expired on September 30, 2006; however, the City renewed the contract for another six-years. The contractor is paid on a per unit basis, with an additional charge for Recycle Center collections.

NOTE 4. OTHER NOTES (continued)

Construction Contracts:

The City entered into various construction contracts in the prior Fiscal Year for infrastructure improvements with some estimated remaining commitments at September 3, 2011. The majority of these projects were funded by various state and federal grants. See Note 3. D for more detailed information on these projects.

D. Joint Venture

The City is a member of the joint venture Jackson County Utility Authority (the Authority), which was established by an act of the Mississippi Legislature to design and implement a water pollution abatement plan. The Authority is responsible for the operations and maintenance of the wastewater treatment plants for the cities of Gautier, Moss Point, Ocean Springs and Pascagoula. The Authority enters into subscription agreements with each of the governing bodies and districts to fund its operations.

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2011, a complete copy of which is on file at the administrative offices of the Authority, located at 1225 Jackson Avenue, Pascagoula, Mississippi 39567.

BALANCE SHEET

ASSETS		
Current assets	$	5,420,661
Restricted investments		4,311,788
Capital assets	$	137,353,989
Total assets	$	147,086,438
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities	$	7,437,149
Noncurrent liabilities		7,750,836
Total liabilities		15,187,985
NET ASSETS		131,898,453
Total liabilities and net assets	$	147,086,428

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	$	8,254,091
Operating expenses		(9,740,182)
Non-operating revenues		15,889,020
Change in Net Assets		14,402,929
Net Assets, Beginning of the Year		117,495,524
Total Net assets, end of the year	$	131,898,453

NOTE 4. OTHER NOTES (continued)

E. Deficit fund balances/Retained earnings

Minor deficit fund balances of individual funds were as follows:

Governmental activities:

CDBG Downtown Revitalization Fund	344
BP Oil Spill Fund	292

NOTE 4. OTHER NOTES (continued)

F. Settlements from prior periods:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

	Governmental Activities	Business-type Activities	Total
Net assets September 30, 2010, as originally presented	$ 6,189,325	16,564,928	22,754,253
Interfund balance settled	496,767	(496,767)	-
Prior period adjustment - rounding		3	3
Net Assets, September 30, 2010	$ 6,686,092	16,068,164	22,754,256

FUND FINANCIAL STATEMENTS:

	General Fund	Water and Sewer Fund
Fund balance September 30, 2010, as originally presented	$ 2,668,076	16,068,162
Adjustments – Rounding		2
Fund balance, September 30, 2010	$2,668,076	$ 16,068,164

NOTE 4. OTHER NOTES (continued)

G. Subsequent events –

- Approved an application for a $1,000,000 tax anticipation note
- Approved a $1,000,000 submission for a CIAP Loan
- Approved application for a $2,910,000 Drinking Water Loan
- Completed erection of the Veterans Tribute Tower through donations from the public
- Completed plan to refinance the 2001 $ 15.7 Million Utility System Refunding Bond

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAUTIER, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / Under
Resources (inflows):				
Taxes	2,511,235	2,526,235	2,945,426	419,191
Licenses and permits	153,960	167,310	103,028	(64,282)
Inter-governmental revenues	3,879,500	3,724,150	3,579,689	(144,461)
Fines and forfeitures	1,250,000	1,000,000	666,660	(333,340)
Miscellaneous	1,462,875	2,579,495	2,098,017	(481,478)
Available for appropriations	10,484,131	11,223,751	10,334,826	(888,925)
Charges to appropriations (outflows):				
General Government				
Personnel services	923,842	914,930	908,005	6,925
Supplies	36,300	30,850	30,042	808
Other services and charges	630,750	704,592	686,796	17,796
Capital outlay	8,000	38,619	32,619	6,000
Public Safety				
Personnel services	4,908,120	4,816,864	4,807,752	9,112
Supplies	199,700	189,820	185,105	4,715
Other services and charges	142,230	214,000	204,792	9,208
Capital outlay	457,660	539,840	427,711	112,129
Public Works				
Personnel services	802,866	905,902	902,137	3,765
Supplies	186,500	188,000	22,469	165,531
Other services and charges	271,200	269,700	235,163	34,537
Capital outlay	65,600	65,600	20,474	45,126
Community Services				
Personnel services	451,312	459,835	455,743	4,092
Supplies	12,250	6,400	6,990	(590)
Other Services & Charges	133,450	142,300	134,943	7,357
Culture and recreation				
Personnel services	91,829	95,359	95,357	2
Supplies	18,100	11,600	3,443	8,157
Other Services & Charges	58,000	64,500	50,116	14,384
Capital Outlay	117,000	117,000	-	117,000
Transfers & Debt Service	94,469	765,575	764,374	1,201
Total charges to Appropriations	9,609,178	10,541,286	9,974,031	567,255
Revenues less expenditures	(351,608)	(544,096)	(581,211)	(37,115)
Budgetary fund balance, October 1, 2010	$ 1,226,561	1,226,561	1,371,611	145,050
Encumbrances			(429,605)	(429,605)
Budgetary fund balance, September 30, 2011	$ 874,953	682,465	360,795	(321,670)

The accompanying notes are an integral part of these financial statements.

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF BUDGET-TO-ACTUAL RECONCILIATION
GENERAL FUND
For the Year Ended September 30, 2011

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles is as follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 9,392,820
Differences - budget to GAAP:	
Transfers from other funds are inflows for budgetary purposes but are not revenues for financial reporting purposes	(657,126)
Police Package loan proceeds is recorded as a revenue in the fund financial statements, and is not a revenue for financial reporting purposes	(347,660)
Refunds are not revenues for financial reporting purposes	(18,825)
Special Revenue Fund revenues are included as General Fund revenues for financial reporting purposes	585,823
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds, General Fund	$ 8,955,032

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the Budgetary comparison schedule	$ 9,974,031
Differences - budget to GAAP:	
Special Revenue Fund expenditures included in the General Fund for reporting, but not for budget purposes.	572,773
The budget is prepared on the cash basis whereas the fund statements are on the modified accrual basis. This is the effect of expenditure accrual transactions.	75,052
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	(288,205)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, General Fund	$ 10,333,651

The accompanying notes are an integral part of these financial statements.

CITY OF GAUTIER, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2011

NOTE 1: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.

2. Department directors submit proposed expenditure budgets to the City Clerk by June 1, each year.

3. The City Manager and the department directors review expenditure budgets, and necessary revisions are made.

4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the City Council.

5. The City Manager submits the proposed budget to the Board by August 1.

6. A public hearing is conducted to obtain taxpayer comments.

7. The final budget is approved by September 15, and must be published in a local newspaper on or before September 30.

8. Budget revisions are made throughout the year (prior to September), as reallocations of funds are necessary or circumstances change, which dictate the need for a budget amendment.

9. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.

10. The general fund budget is adopted on a cash basis as required by State statute. The appropriated budget is prepared by fund, function and department. The legal level of budgetary controls is the department level. The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget-to-actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Manager. The department head will then be required to make an inter-departmental budget transfer or request a budget amendment.