

CITY OF GAUTIER, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2011

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

G. Interfund Balances

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

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

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:

<u>TRANSFERS OUT:</u>	<u>TRANSFERS IN:</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
	<u>Other Governmental Fund</u>	<u>Other Business-Type Fund</u>	
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	<u>\$ 657,126</u>	<u>(657,126)</u>	<u>-</u>

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.

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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:

	<u>MILLS</u>
General Fund	21.930
Library Fund	1.000
Debt Service	<u>2.840</u>
Total	<u>25.770</u>

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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.

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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.

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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	\$	<u>137,353,989</u>
Total assets	\$	<u><u>147,086,438</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	\$	7,437,149
Noncurrent liabilities		<u>7,750,836</u>
Total liabilities		<u>15,187,985</u>

NET ASSETS

Total liabilities and net assets	\$	<u><u>131,898,453</u></u>
		<u><u>147,086,428</u></u>

STATEMENT OF REVENUES AND EXPENSES

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

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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

CITY OF GAUTIER, MISSISSIPPI
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NOTE 4. OTHER NOTES (continued)

F. Settlements from prior periods:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

FUND FINANCIAL STATEMENTS:

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

CITY OF GAUTIER, MISSISSIPPI
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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