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

The original Series 2001 bonds were 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 were outstanding, the City agreed to fix and maintain rates and collect charges for the use and services of the System, which were to be at all times be sufficient to meet specified requirements. The balance outstanding at the Series 2012 issue date was $9,185,000.

State Revolving 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, 2012, was $6,330,035.

Debt Maturity

Debt service requirements at September 30, 2012, were as follows:

	Governmental Activities		Business-type Activities	
	Notes & Capital Leases		Water and Sewer Bonds & Notes	
	Principal	Interest	Principal	Interest
2013	741,927	303,572	1,716,338	317,126
2014	766,288	281,396	1,658,679	281,701
2015	667,311	258,216	1,671,356	244,401
2016-2020	3,003,814	996,240	7,186,584	634,592
2021-2025	2,355,000	688,874	2,319,609	286,018
2026-2030	1,695,000	169,767	1,186,622	55,289
Total	$ 9,229,340	2,690,865	15,739,188	1,819,128

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

G. Interfund Balances

Interfund balances at September 30, 2012, 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	-	-	-	68,968	(68,968)	-
Solid Waste Fund Total	-	-	-		-	-
Total	$ -	-	-	68,968	(68,968)	-

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	$ 750,000	-	750,000
MS Development	-	-	-
Other Governmental Funds	-	-	-
Business-type activities:			
Water and Sewer Fund	-	(750,000)	(750,000)
Solid Waste	-	-	-
Total	$ 750,000	(750,000)	-

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, 2012, the City's 2012 tax rate was as follows:

	MILLS
General Fund	24.350
Library Fund	1.000
Debt Service	6.750
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 %, of their annual covered salary and the Jackson County Utility Authority is required to contribute at an actuarially determined rate. The current rate of 14.26% (effective July 1, 2012) of annual covered payroll is contributed by the City. These were the rates and the end of FY 2012. 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, 2012 and 2011 were $729,428 and $666,917, 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, 2012. 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, 2012, 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	$	3,587,130
Restricted investments		4,413,955
Capital assets	$	134,421,969
Total assets	$	142,423,054
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities	$	3,658,642
Noncurrent liabilities		8,440,779
Total liabilities		12,099,421
NET ASSETS		130,323,633
Total liabilities and net assets	$	142,423,054

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	$	8,876,819
Operating expenses		(13,857,642)
Non-operating revenues		3,406,003
Change in Net Assets		(1,574,820)
Net Assets, Beginning of the Year		131,898,453
Total Net assets, end of the year	$	130,323,633

NOTE 4. OTHER NOTES (continued)

E. Deficit fund balances/Retained earnings

There were only two deficit fund balances of individual funds were as follows:

Governmental activities:

CDBG Downtown Revitalization Fund	69,599
BP Oil Spill Fund	349

NOTE 4. OTHER NOTES (continued)

F. Settlements from prior periods:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

	Governmental Activities	Business-type Activities	Total
Net assets September 30, 2011, as originally presented	$ 6,640,185	18,096,592	24,736,777
Prior period adjustment - rounding	2	1	3
Net Assets, September 30, 2011	$ 6,664,187	18,096,593	24,736,780

FUND FINANCIAL STATEMENTS:

	General Fund	Water and Sewer Fund
Fund balance September 30, 2011, as originally presented	$ 5,783,702	18,096,592
Adjustments – Rounding	0	0
Fund balance, September 30, 2011	$ 5,783,702	$ 18,096,592

NOTE 4. OTHER NOTES (continued)

G. Subsequent events –

- Accepted a bid for $747,000 for Fire Station West
- Assumed the operation of Sheppard State Park
- Approved a $3,000,000 Bond from the MS Development Bank for a Clearwater filtration system
- Approved a $ 34,330 contract with Thompson Engineering for Ward 5 drainage improvements
- Entered into a contract with Waste Pro, replacing the existing contractor