

**CITY OF GAUTIER, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2011

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation's found on pages 22 and 24.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities. Proprietary funds include the Water and Sewer and Sewer Expansion funds. Other nonmajor proprietary funds include the Solid Waste and Sewer Rehab funds which are combined into a single column on the proprietary fund financial statements. These funds are the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows. The accrual basis of accounting is used for proprietary funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets** - Net assets may serve over time as a useful indicator of a government's financial position. The following table presents a summary of the City's net assets for the fiscal years ended September 30, 2011 and 2010.

**Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,293,513	9,116,244	3,486,166	3,006,158	9,779,679	12,122,402
Capital assets	<u>10,775,540</u>	<u>7,994,946</u>	<u>32,053,884</u>	<u>32,202,677</u>	<u>42,829,424</u>	<u>40,197,623</u>
Total assets	<u>17,069,053</u>	<u>17,111,190</u>	<u>35,540,050</u>	<u>35,208,835</u>	<u>52,609,103</u>	<u>52,320,025</u>
Long-term debt outstanding	9,252,245	9,407,181	15,359,010	16,715,325	24,611,255	26,122,506
Other liabilities	<u>1,176,623</u>	<u>1,514,684</u>	<u>2,084,448</u>	<u>1,928,582</u>	<u>3,261,071</u>	<u>3,443,266</u>
Total liabilities	<u>\$10,428,868</u>	<u>10,921,865</u>	<u>17,443,458</u>	<u>18,643,907</u>	<u>27,872,326</u>	<u>29,565,772</u>
Net assets:						
Invested in capital assets, net of debt	\$ 4,010,540	4,591,141	14,166,537	10,129,447	18,177,077	14,720,588
Restricted	129,530	167,790	1,278,254	1,116,815	1,407,784	1,284,605
Unrestricted	<u>2,500,115</u>	<u>1,430,394</u>	<u>2,651,801</u>	<u>5,318,666</u>	<u>5,151,916</u>	<u>6,749,060</u>
Total net assets	<u>\$ 6,640,185</u>	<u>6,189,325</u>	<u>18,096,592</u>	<u>16,564,928</u>	<u>24,736,777</u>	<u>22,754,253</u>

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The City's restricted net assets accounted for 5.65% of total net assets in 2011, and 5.64% in 2010. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 64.42% of total net assets in 2011 and 63.07% in 2010, respectively. The remaining balance consisted of unrestricted net assets, is the part of net assets used to finance everyday operations without constraints of legal requirements.

The following are significant transactions that have had an impact on the Statement of Net Assets.

- In 2004, the City implemented the new standards of GASB 34 which requires it to report and depreciate new and old infrastructure assets [e.g. roads, bridges, underground pipes (other than utilities), traffic signals, etc.]. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal years ended in 2006. As of September 30, 2011, the City had not implemented retroactive reporting of infrastructure.

**Changes in net assets** - The City's total revenues for the fiscal years ended September 30, 2011 and 2010 were \$18,035,954 and \$19,541,937, respectively. The total cost of all programs and services was \$16,053,433 and \$15,931,768. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2011 and 2010.

	<b>Changes in Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 1,137,597	997,976	7,617,579	7,419,652	8,755,176	8,417,628
Operating Grants and Contributions	1,130,759	1,479,495	-	-	1,130,759	1,479,495
Capital Grants And contributions	-	-	497,269	2,467,066	497,269	2,467,066
General Revenues						
Property Taxes	3,478,622	3,202,977	-	-	3,478,622	3,202,977
Franchise Taxes	175,076	189,807	-	-	175,076	189,807
Intergovernmental Revenues	3,093,971	3,169,224	-	-	3,093,971	3,169,224
Other general revenues	<u>492,196</u>	<u>178,824</u>	<u>412,885</u>	<u>436,916</u>	<u>905,081</u>	<u>615,740</u>
Total revenues	<u>\$ 9,508,221</u>	<u>9,218,303</u>	<u>8,527,733</u>	<u>10,323,634</u>	<u>18,035,954</u>	<u>19,541,937</u>

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Program Expenses</b>						
General Government	\$ 2,416,644	2,096,617	-	-	2,416,644	2,096,617
Public Safety	5,889,030	5,438,529	-	-	5,889,030	5,438,529
Public Works	1,261,218	965,768	-	-	1,261,218	965,768
Culture & Recreation	276,678	349,331	-	-	276,678	349,331
Capital Outlay	-	-	-	-	-	-
Debt Service-interest	367,684	268,382	-	-	367,684	268,382
Water and Sewer Fund	-	-	4,497,343	5,580,619	4,497,343	5,580,619
Solid waste	-	-	1,344,836	1,232,522	1,344,836	1,232,522
Total expenses	<u>\$10,211,254</u>	<u>9,118,627</u>	<u>5,842,179</u>	<u>6,813,141</u>	<u>16,053,433</u>	<u>15,931,768</u>
Increase in net assets	<u>\$ (703,033)</u>	<u>99,676</u>	<u>2,685,554</u>	<u>3,510,493</u>	<u>1,982,521</u>	<u>3,610,169</u>

**Governmental activities**

The following table presents the cost of major City functional activities: general government, public safety, public works, culture and recreation, urban and economic development, capital outlay, and debt service-interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	<b>Governmental Activities</b>			
	<u>2011</u>		<u>2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Program Expenses</b>				
General Government	\$ 2,416,644	(1,370,623)	2,096,617	( 656,257)
Public Safety	5,889,030	(4,666,695)	5,438,529	(4,401,418)
Public Works	1,261,218	(1,261,218)	965,768	( 965,768)
Culture & Recreation	276,678	( 276,678)	349,331	( 349,331)
Capital Outlay	-	-	-	-
Debt Service-interest	367,684	( 367,684)	268,382	( 268,382)
Total expenses	<u>\$10,211,254</u>	<u>(7,942,898)</u>	<u>9,118,627</u>	<u>(6,641,156)</u>

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**Business-type activities**

The City's business-type activities generated a change in net assets of \$1,982,521 during the fiscal year ending September 30, 2011. This represents a decrease of approximately \$1,527,972 from the change during the previous year. The factors contributing to this decrease included:

- The Water and Sewer Fund had an increase in service charges of approximately \$197,927.
- The Water and Sewer Fund had a decrease in grant revenues of approximately \$ 1,969,797.
- The City had an increase in other revenues of approximately \$ 289,341.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the City completed the year, its governmental funds reported a combined fund balance of \$1,737,421, compared to \$2,668,076 in the prior year. Activities within the general fund contributed to approximately 63.73% in 2011 and 71.36% of the fund balances, respectively. Other items that influenced the fund balances are as follows:

- The City received approximately \$2.2 million in sales tax revenues, which represents a decrease of approximately 7 % from the previous year.

**General Fund Budgetary Highlights**

Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Council made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, or 3) the Council approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were \$9,966,478 compared to \$10,541,826 in the budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided on pages 53-57 of this report as required supplementary information.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The City's total capital assets for 2011 and 2010 were \$42,829,424 and \$40,197,623, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's capital net assets for the fiscal years ended September 30, 2011 and 2010.

**Capital Assets at Year End (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 743,862	743,862	1,188,570	1,188,570	1,932,432	1,932,432
Construction in progress	572,774	-	-	1,824,227	572,774	1,824,227
Buildings and improvements	2,366,097	1,758,338	1,848,490	1,857,187	4,214,587	3,615,525
Machinery and Equipment	4,115,908	4,018,775	275,407	470,829	4,391,315	4,489,604
Utility System	-	-	28,741,417	26,861,864	28,741,417	26,861,864
Infrastructure	<u>2,976,899</u>	<u>1,473,971</u>			<u>2,976,899</u>	<u>1,473,971</u>
Total	<u>\$10,775,540</u>	<u>7,994,946</u>	<u>32,053,884</u>	<u>32,202,677</u>	<u>42,829,424</u>	<u>40,197,623</u>

This year's completed major projects included:

	<u>Completed Through September 30, 2011</u>	<u>Remaining Commitment</u>
Business-type activities:		
Allen Road Water and Sewer Expansion	\$ 451,377	-
Lift Station Upgrade	2,503,100	-
Water Improvements - Old Spanish Trail	2,527,999	-
Highway 90/57 Sewer System Expansion	6,631,715	-
Streetscape Project	552,774	5,090,828

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**Debt Administration** At September 30, 2011, the City had \$27,085,336 in general obligation bonds and other long-term debt outstanding, of which \$ 2,324,771 is due within one year.

**Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General Obligation Bonds (backed by the City)	\$ 6,765,000	7,000,000	9,905,000	10,865,000	16,670,000	17,865,000
Revenue Bonds and Notes (backed by specific tax and fee revenues)	3,131,458	3,047,902	6,793,777	7,197,656	9,925,235	10,245,558
Compensated absences	<u>306,696</u>	<u>283,927</u>	<u>34,095</u>	<u>29,125</u>	<u>340,791</u>	<u>313,052</u>
Total	<u>\$10,203,154</u>	<u>10,331,829</u>	<u>16,732,872</u>	<u>18,091,781</u>	<u>27,085,336</u>	<u>28,423,610</u>

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

On August 29, 2005, the City was severely impacted by Hurricane Katrina. The City is in the continuing process of rebuilding, which will be the case for some years. The City has used federal grants, insurance reimbursements and loans to help with these rebuilding costs.

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, tax rates, and fees to be charged for business-type activities. The local economy continues its slow recovery from the loss of several major industries and revenues lost due to Hurricane Katrina, but the prospects for new industries are improving. This is evidenced by the Council utilizing the City's financial leverage in issuing seven million dollars of General Obligation Bonds for a New Police Station and other improvements to provide for a platform for continuing economic development.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If - you have any questions about this report or need additional financial information, contact the Finance Director's Office at 3330 Hwy 90, Gautier, Mississippi or [tmontgomery@gautier-ms.gov](mailto:tmontgomery@gautier-ms.gov).

## **BASIC FINANCIAL STATEMENTS**

For the Year Ended September 30, 2011

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
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	<u>9,458,905</u>	<u>30,865,314</u>	<u>40,324,219</u>
Total capital assets	<u>10,775,540</u>	<u>32,053,884</u>	<u>42,829,424</u>
Total assets	<u>17,069,053</u>	<u>35,540,050</u>	<u>52,609,103</u>
<b>LIABILITIES</b>			
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	<u>9,252,245</u>	<u>15,359,010</u>	<u>24,611,255</u>
Total liabilities	<u>10,428,868</u>	<u>17,443,458</u>	<u>27,872,326</u>
<b>NET ASSETS</b>			
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	<u>2,500,115</u>	<u>2,651,801</u>	<u>5,151,916</u>
Total net assets	<u>\$ 6,640,185</u>	<u>18,096,592</u>	<u>24,736,777</u>

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