

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

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 6,332,087	1,285,492	7,617,579
Grants	497,269	-	497,269
Other	<u>409,211</u>	<u>-</u>	<u>409,211</u>
Total operating revenues	<u>7,238,567</u>	<u>1,285,492</u>	<u>8,524,059</u>
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	<u>457,358</u>	<u>43,942</u>	<u>501,300</u>
Total operating expenses	<u>3,785,103</u>	<u>1,344,836</u>	<u>5,129,939</u>
Operating income (loss)	<u>3,453,464</u>	<u>(59,344)</u>	<u>3,394,120</u>
NONOPERATING REVENUES			
(EXPENSES)			
Interest income	3,674	-	3,674
Interest expense	<u>(712,240)</u>	<u>-</u>	<u>(712,240)</u>
Total nonoperating revenues (expenses)	<u>(708,566)</u>	<u>-</u>	<u>(708,566)</u>
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	<u>2</u>	<u>(1)</u>	<u>1</u>
Total net assets - end of year	<u>\$17,841,382</u>	<u>255,210</u>	<u>18,096,592</u>

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

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

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

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

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
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	<u>409,211</u>	<u>-</u>	<u>409,211</u>
Net cash provided (used) in operating Activities	<u>2,432,142</u>	<u>(154,859)</u>	<u>2,277,283</u>
Cash flows from noncapital financing activities:			
Transfers effecting cash balances	<u>(657,126)</u>	<u>-</u>	<u>(657,126)</u>
Net cash provided (used) by noncapital financing activities	<u>(657,126)</u>	<u>-</u>	<u>(657,126)</u>
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	<u>(13,132)</u>	<u>-</u>	<u>(13,132)</u>
Net cash used in capital and related financing Activities	<u>(3,002,841)</u>	<u>-</u>	<u>(3,002,841)</u>
Cash flows from investing activities:			
Restricted customer deposits	39,353	-	39,353
Interest received	<u>3,674</u>	<u>-</u>	<u>3,674</u>
Net cash provided by investing activities	<u>43,027</u>	<u>-</u>	<u>43,027</u>
Net decrease in cash and cash equivalents Cash and cash equivalents:	(1,184,798)	(154,859)	(1,339,657)
Beginning of the year	<u>2,575,459</u>	<u>277,603</u>	<u>2,853,062</u>
End of the year	<u>\$1,390,661</u>	<u>122,744</u>	<u>1,513,405</u>

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

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
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	<u>(712,240)</u>	<u>-</u>	<u>(712,240)</u>
Net cash provided by (used in) operating Activities	<u>\$ 2,432,142</u>	<u>(154,859)</u>	<u>2,277,283</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

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.

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

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:

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

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.

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

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.