CITY OF GAUTIER, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

CITY OF GAUTIER, MISSISSIPPI
MUNICIPAL OFFICIALS
For the Year Ended September 30, 2012

OFFICIALS

Mayor	Tommy Fortenberry

CITY COUNCIL

Councilwoman	Mary Martin
Councilman	Johnny Jones
Councilman	Hurley Ray Guillotte
Councilman	Gordon Gollott
Councilman	Scott Macfarland
Councilman	Adam Colledge

DEPARTMENT HEADS

City Attorney	Robert Ramsay
Interim City Manager	Robert Ramsey to February 19, 2012;
City Manager	Samantha Abell February 20, 2102 to September 30, 2012
City Clerk	Wendy McClain to July 27,2012 Teresa Montgomery July 27, 2012 to Fiscal Year End
Police Chief	Edward E. Williams To June 29, 2012 Kenny McMillian Form June 30, 2012 To July 15, 2012 Dante Elbin July 16, 2012 to Fiscal Year End

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MEMBER: American Institute of CPA's
Mississippi Society of CPA's

LLOYD B. MARSHALL, JR.
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Gautier, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gautier, Mississippi's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Because of the inadequacy of accounting records for the fiscal year ended September 30, 2012, that relate to the fixed assets, accumulated depreciation and depreciation expense, I was unable to form an opinion regarding those amounts and net assets invested in capital assets, net of related debt, for the Government-Wide Financial Statements, which includes amounts at which property and equipment and accumulated depreciation, and the amount of depreciation expense for the year then ended, as outlined in the Capital Assets Note to the Financial Statements, are recorded in the accompanying balance sheet at September 30, 2012, and the Proprietary Funds Financial Statements which includes amounts at which property and equipment and accumulated depreciation, and the amount of depreciation expense for the year then ended, as also outlined in the Capital Assets Note to the Financial Statements, are recorded in the accompanying balance sheet at September 30, 2012. As a result, I was unable to form an opinion on the respective net assets to which these balances are related.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had proper records concerning property and equipment and related accumulated depreciation been adequate, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of September 30, 2012, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 12, 2014, on my consideration of the City of Gautier, Mississippi's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 14 and pages 54 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the Unites States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gautier, Mississippi's financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Gautier, Mississippi
February 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GAUTIER, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012

The discussion and analysis of the City of Gautier, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The City implemented Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999, for the first time during fiscal year 2004. As discussed in Footnote 1, Statement No. 34 allows for certain transition treatments in regards to infrastructure. As of fiscal year-end September 30, 2012, the City has not completed implementation for previously constructed infrastructure assets.

FINANCIAL HIGHLIGHTS

- In 2012 and 2011, the City's net assets amounted to *$27,419,092* and *$24,736,777*, respectively. The net assets for governmental activities totaled *$8,231,573* in 2012 and *$6,640,185* in 2011, contributing *30.02%* and *26.84%*, respectively, of total net assets; business-type activities contributed 69.98% and *73.16%*, totaling *$19,187,519* in 2012 and *$18,096,592* in 2011.

- General revenues for 2012 and 2011 were *$7,645,641* and *$7,652,750*, equaling *41.08%* and *42.43%* of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were *$10,959,689* and *$10,383,204*, equaling *58.92%* and *57.57%* of total revenues.

- In 2012 and 2011, the City had *$15,926,170* and *$16,053,433* in expenses, respectively; only *$10,959,689* and *$10,383,204* of these expenses were offset by program specific charges for services, grants and contributions.

- Capital assets, net of accumulated depreciation, totaled *$45,554,857* in 2012 and *$42,829,424* in 2011.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government- wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline both functions of the City and business-type activities.

The governmental activities of the City include police and fire protection, parks, recreation, public works, urban and economic development, and general administrative services. The business-type activities include the water and sewer system and its related projects.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund financial statements - Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of the following funds: governmental and proprietary (enterprise) funds.

Notes to the financial statements - The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A Budgetary Comparison Statement has been provided for the General Fund. This required supplementary information can be found on pages 53-57 of this report.

Reporting the City's Most Significant Funds

Fund financial statements begin on page 21 and provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two major types of funds are discussed below:

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, 2012 and 2011.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 4,076,521	6,293,513	3,845,348	3,486,166	7,921,869	9,779,679
Capital assets	13,885,323	10,775,540	31,669,534	32,053,884	45,554,857	42,829,424
Total assets	17,961,844	17,069,053	35,514,882	35,540,050	53,476,726	52,609,103
Long-term debt outstanding	8,415,104	9,252,245	14,046,808	15,359,010	22,461,912	24,611,255
Other liabilities	1,315,167	1,176,623	2,280,556	2,084,448	3,595,723	3,261,071
Total liabilities	$ 9,730,271	10,428,868	16,327,364	17,443,458	26,057,635	27,872,326
Net assets:						
Invested in capital assets, net of debt	$ 4,655,983	4,591,141	15,930,347	10,129,447	20,586,330	14,720,588
Restricted	2,569,532	167,790	1,330,819	1,116,815	3,900,351	1,284,605
Unrestricted	1,006,058	1,430,394	1,926,353	5,318,666	2,932,411	6,749,060
Total net assets	$ 8,231,573	6,189,325	19,187,519	16,564,928	27,419,092	22,754,253