The City's restricted net assets accounted for 14.22% of total net assets in 2012, and 5.65% in 2011. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 75.08% of total net assets in 2012 and 64.42% in 2011, 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, 2012, 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, 2012 and 2011 were $18,608,482 and $18,035,954, respectively. The total cost of all programs and services was $15,926,170 and $16,053,433. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2012 and 2011.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	$ 893,524	1,137,597	7,499,264	7,617,579	8,392,788	8,755,176
Operating Grants and Contributions	108,143	1,130,759	185,965	-	294,108	1,130,759
Capital Grants And contributions	2,272,793	-	-	497,269	2,272,793	497,269
General Revenues						
Property Taxes	3,928,370	3,478,622	-	-	3,928,370	3,478,622
Franchise Taxes	157,727	175,076	-	-	157,727	175,076
Intergovernmental Revenues	2,936,882	3,093,971	-	-	2,936,882	3,093,971
Other general revenues	622,662	492,196	3,152	412,885	625,814	905,081
Total revenues	$ 10,920,101	9,508,221	7,688,381	8,527,733	18,608,482	18,035,954

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Expenses						
General Government	$ 2,302,868	2,416,644	-	-	2,302,868	2,416,644
Public Safety	5,888,087	5,889,030	-	-	5,888,087	5,889,030
Public Works	1,330,505	1,261,218	-	-	1,330,505	1,261,218
Culture & Recreation	184,441	276,678	-	-	184,441	276,678
Capital Outlay	-	-	-	-	-	-
Debt Service-interest	372,814	367,684	-	-	372,814	367,684
Water and Sewer Fund	-	-	4,438,274	4,497,343	4,438,274	4,497,343
Solid waste	-	-	1,409,181	1,344,836	1,409,181	1,344,836
Total expenses	$10,078,015	10,211,254	5,847,455	5,842,179	15,926,170	16,053,433
Increase in net assets	$ 841,386	(703,033)	1,840,926	2,685,554	2,682,312	1,982,521

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.

Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
General Government	$ 2,302,868	51,058	2,416,644	(1,370,623)
Public Safety	5,888,087	(4,967,553)	5,889,030	(4,666,695)
Public Works	1,330,505	(1,330,505)	1,261,218	(1,261,218)
Culture & Recreation	184,441	(184,441)	276,678	(276,678)
Capital Outlay	-	-	-	-
Debt Service-interest	372,814	(372,814)	367,684	(367,684)
Total expenses	$10,078,715	(6,804,255)	10,211,254	(7,942,898)

Business-type activities

The City's business-type activities generated a change in net assets of $1,840,926 during the fiscal year ending September 30, 2012. This represents a decrease of approximately $844,628 from the change during the previous year. The factors contributing to this decrease included:

• The Water and Sewer Fund had an decrease in service charges of approximately $118,315.

• The Water and Sewer Fund had a decrease in grant revenues of approximately $ 311,304 .

• The City had an decrease in other revenues of approximately $ 279,267.

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 $4,076,251, compared to $1,737,421 in the prior year. Activities within the general fund contributed to approximately 30.02% in 2012 and 21.62% of the fund balances, respectively. Other items that influenced the fund balances are as follows:

• The City received approximately $ 2.6 million in grant revenues, which represents a increase of approximately 58 % 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 $ 9,691,861 compared to $ 10,129,951 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's total capital assets for 2012 and 2011 were $45,554,857 and $42,829,424, 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, 2012 and 2011.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 798,104	743,862	1,188,570	1,188,570	1,986,674	1,932,432
Construction in progress	3,021,932	572,774	-	-	3,021,932	572,774
Buildings and improvements	2,341,687	2,366,097	1,792,891	1,848,490	4,134,578	4,214,587
Machinery and Equipment	3,519,356	4,115,908	308,151	275,407	3,827,507	4,391,315
Utility System	-	-	28,379,922	28,741,417	28,379,922	28,741,417
Infrastructure	4,204,244	2,976,899			4,204,244	2,976,899
Total	$13,885,323	10,775,540	31,669,534	32,053,884	45,554,857	42,829,424

Major projects have included:

	Completed Through September 30, 2012	Remaining Commitment
Government and 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	3,021,932	2,551,502
Martin Bluff Road Improvements	239,011	

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,131,313	1,974,108	3,105,421
Restricted cash and cash equivalents	2,569,532	1,330,819	3,900,351
Receivables, net	375,676	540,421	916,097
Internal Balances	-	-	-
Capital assets:			
Land & Construction in Progress	3,820,036	1,188,570	5,008,606
Other capital assets, net of Depreciation	10,065,287	30,480,964	40,546,251
Total capital assets	13,885,323	31,669,534	45,554,857
Total assets	17,961,844	35,514,882	53,476,726
LIABILITIES			
Accounts payable	16,340	10,249	26,589
Accrued Expenses & Interest Payable	175,481		175,481
Compensated absences, current	77,847	10,399	88,246
Customer deposits	-	543,570	543,570
Long-term liabilities:			
Due within one year	1,045,499	1,716,338	2,761,837
Due in more than one year	8,415,104	14,046,808	22,461,912
Total liabilities	9,730,271	16,327,364	26,057,635
NET ASSETS			
Investment in capital assets (net of related debt)	4,655,983	15,930,347	20,586,330
Restricted net assets:			
Debt service	3,495	484,258	487,753
Bond contingency fund	2,566,037	846,561	3,412,598
Unrestricted net assets	1,006,058	1,926,353	2,932,411
Total net assets	$ 8,231,573	19,187,519	27,419,092

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

CITY OF GAUTIER, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

		Program Revenue			Net (expense) revenue and changes in net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General Government	$ 2,302,868	63,507	17,626	2,272,793	51,058	-	51,058
Public Safety	5,888,087	830,017	90,517	-	(4,967,553)	-	(4,967,553)
Public Works	1,330,505	-	-	-	(1,330,505)	-	(1,330,505)
Culture and Recreation	184,441	-	-	-	(184,441)	-	(184,441)
Debt service – interest	372,814	-			(372,814)		(372,814)
Total Government Activities	$10,078,715	893,524	108,143	2,272,793	(6,804,255)	-	(6,804,255)
Business-type activities:							
Water & Sewer Fund	4,438,274	6,199,560	185,965	-	-	2,332,013	2,332,013
Solid Waste	1,409,181	1,299,704	-	-	-	(59,344)	(59,344)
Total Business-type Activities	5,847,455	7,499,264	185,965	-		2,272,669	2,272,669
Total Primary	$15,926,170	8,392,788	294,108	2,272,793	(7,942,898)	2,272,669	(5,670,229)
			General Revenues:				
			Property Taxes		3,928,370	-	3,928,370
			Franchise Taxes		157,727	-	157,727
			Intergovernmental		2,936,882	-	2,936,882
			Interest Income		6,061	3,152	9,213
			Miscellaneous		616,601	-	616,601
			Total General Revenues		7,645,641	3,152	7,648,793
			Changes in Net Assets		841,386	1,840,926	2,682,312
			Net assets, beginning		6,640,185	18,096,592	24,736,777
			Rounding Adjustments		2	1	3
			Interfund Transfers		750,000	(750,000)	-
			Net Assets, ending		$ 8,231,573	19,187,519	27,419,092

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS