CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2012

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,924,672	49,436	1,974,108
Accounts receivable, net	540,421	-	540,421
Due from other Funds		68,968	68,968
Total current assets	2,465,093	118,404	2,583,497
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	1,330,819	-	1,330,819
Capital assets:			
Land	1,188,570	-	1,188,570
Other capital assets, net of accumulated depreciation	30,453,634	27,330	30,480,964
Total noncurrent assets	32,973,023	27,330	33,000,353
Total assets	35,438,116	145,734	35,583,850
LIABILITIES			
Current liabilities:			
Accounts payable	10,249		10,249
Due to Other Funds	68,968		68,968
Compensated absences payable	10,399		10,399
Bonds and notes payable	1,716,338	-	1,716,338
Payable from restricted assets:			
Customer deposits	543,570	-	543,570
Total current liabilities	2,349,524	-	2,349,524
Noncurrent liabilities:			
Compensated absences	23,959	-	23,959
Bonds and notes payable	14,022,849	-	14,022,849
Total noncurrent liabilities	14,046,808	-	14,046,808
Total liabilities	16,396,332	-	16,396,332
NET ASSETS			
Invested in capital assets, net of related debt	15,903,017	27,330	15,930,347
Restricted:			
Debt service	484,258	-	484,258
Bond contingency fund	846,561	-	846,561
Unrestricted	1,807,948	118,404	1,926,353
Total net assets	$ 19,041,784	145,734	19,187,519

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

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 5,729,636	1,299,704	7,029,340
Grants	185,965	-	185,965
Other	469,925	-	469,925
Total operating revenues	6,385,525	1,299,704	7,685,229
OPERATING EXPENSES			
Personnel services	1,011,069	37,978	1,049,588
Wastewater treatment	1,206,456	-	1,206,456
Waste collections and disposals	-	1,352,472	1,352,472
Utilities	181,517	-	181,517
Supplies	188,267	-	188,267
Maintenance and repairs	77,008	5,227	82,235
Depreciation	653,337	924	654,261
Other services and charges	596,737	12,580	609,317
Total operating expenses	3,914,931	1,409,181	5,324,112
Operating income (loss)	2,470,594	(109,477)	2,361,117
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,152	-	3,152
Interest expense	(523,343)	-	(523,343)
Total nonoperating revenues (expenses)	(520,191)	-	(520,191)
Changes in net assets	1,950,403	(109,477)	1,840,926
Transfer In (Out)	(750,000)		(750,000)
Total net assets - beginning of year	17,841,381	255,211	18,096,592
Rounding Adjustment			1
Total net assets - end of year	$19,041,784	145,734	19,187,519

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

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE PROPRIETARY FUNDS NET ASSSETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2012

Total Proprietary Fund net assets	**$19,187,519**
Differences in Interfund Balances	0
Net assets of proprietary activities on government-wide statement of net assets	**$19,187,519**

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, 2012

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	$ 5,863,515	1,230,736	7,094,251
Cash received from grants	185,965	-	185,965
Payments for goods and services	(2,393,074)	(1,266,066)	(3,659,140)
Payments to employees	(977,251)	(37,978)	(1,015,229)
Other receipts	733,719	-	733,719
Net cash provided (used) in operating Activities	3,412,874	(73,308)	3,339,566
Cash flows from noncapital financing activities:			
Transfers effecting cash balances	(750,000)	-	(750,000)
Net cash provided (used) by noncapital financing activities	(750,000)	-	(750,000)
Cash flows from capital and related financing activities:			
Increase in Capital Debt	474,000	-	474,000
Purchase and construction of capital assets	(269,911)	-	(416,825)
Principal paid on capital debt	(1,785,960)	-	(1,363,880)
Interest paid on capital debt	(523,343)	-	(712,240)
Bond Refinancing Costs	(222,577)	-	(222,577)
Net cash used in capital and related financing Activities	(2,327,791)	-	(2,327,791)
Cash flows from investing activities:			
Cash from Bond Refinancing	195,776	-	195,776
Interest received	3,152	-	3,152
Net cash provided by investing activities	198,928	-	198,928
Net change in cash and cash equivalents	534,011	(73,308)	460,703
Cash and cash equivalents:			
Beginning of the year	1,390,661	122,744	1,513,405
End of the year	$1,924,672	49,436	1,974,108

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, 2012

	Water and Sewer Fund	Solid Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 2,470,594	(109,477)	2,361,117
Adjustments to reconcile operating (income) loss to net cash			
Depreciation expense	653,337	924	654,261
Increase (Decrease) in current assets:			
Accounts receivable & prepaids	155,086	35,245	190,331
(Increase) Decrease in current liabilities:			
Accounts payable	123,988		123,988
Other liabilities	9,869	-	9,869
Net cash provided by (used in) operating Activities	$ 3,412,874	(73,308)	3,339,566

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

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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:

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, 2012.

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.