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# **CITY OF GAUTIER, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2020

CITY OF GAUTIER, MISSISSIPPI  
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For the Year Ended September 30, 2020

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## INTRODUCTORY SECTION

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**ELECTED OFFICIALS**  
**As of September 30, 2020**



**Phil Torjusen**  
**Mayor**



**Mary Martin**  
**Councilwoman At-Large**



**Cameron B. George**  
**Councilman, Ward 1**



**Richard "DJ" Jackson**  
**Councilman, Ward 2**



**Casey Vaughan**  
**Councilman, Ward 3**

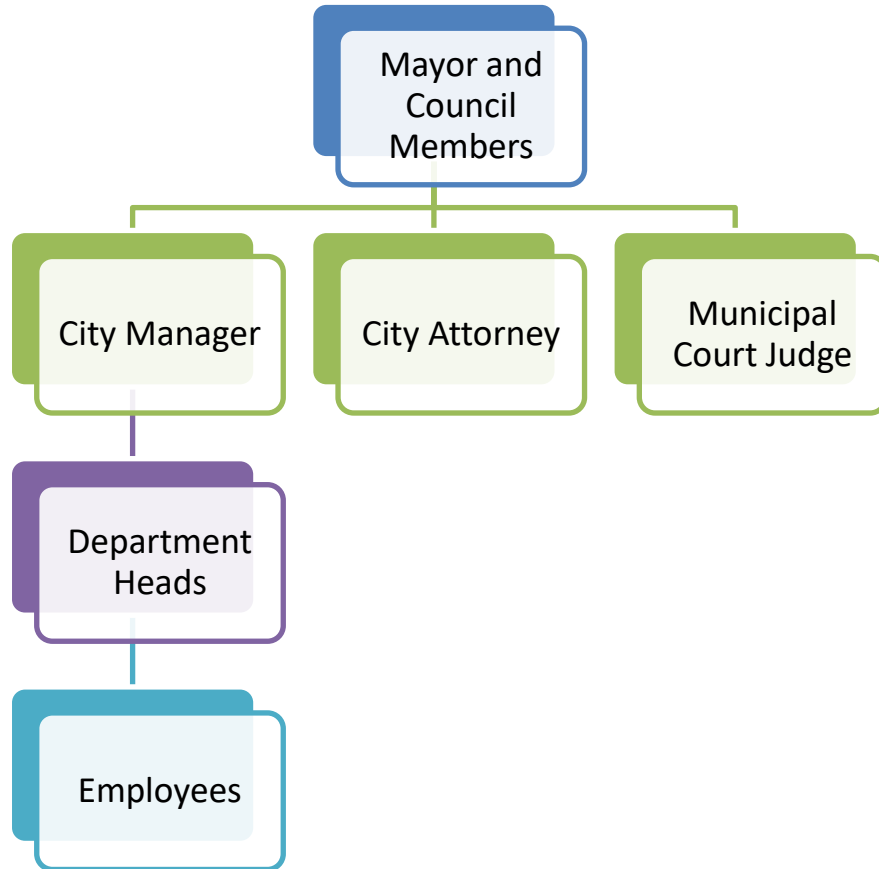


**Charles "Rusty" Anderson**  
**Councilman, Ward 4**



**Adam Colledge**  
**Councilman, Ward 5**

**ORGANIZATION CHART**  
**As of September 30, 2020**



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## FINANCIAL SECTION

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA  
SHARI L. BREEDEN, CPA  
ROBERT D. FOREMAN, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-8501  
FAX NUMBER (228) 863-8544  
EMAIL: OFFICE@WWH-GCPA.COM

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
City Council of  
City of Gautier, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier, Mississippi, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, 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 context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gautier, Mississippi's basic financial statements. The Introductory Section and the Schedule of Surety Bonds for City Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financials statements as a whole.

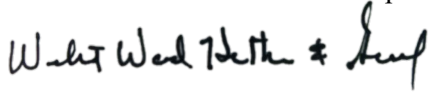
The Introductory Section and the Schedule of Surety Bonds for City Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021, on our consideration of City of Gautier, Mississippi's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gautier, Mississippi's internal control over financial reporting and compliance.

### **Other Reporting Required by *State of Mississippi***

In accordance with the State of Mississippi, we have also issued our report dated September 29, 2021, on our consideration of the City of Gautier's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Gautier's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Wright Ward Hatten & Guel".

Wright, Ward, Hatten and Guel  
September 29, 2021

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## MANAGEMENT DISCUSSION AND ANALYSIS

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CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Gautier, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Gautier is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Gautier as of July 1, 2019, is 18,490. The median household income is \$47,399 with over 87.2% of persons 25 years or older holding a high school degree or higher.

### Government-wide Financial Highlights

- Total net position increased \$1,529,108 or 3% from 2019 which increased \$3,373,317.
- General revenues amounted to of \$9,607,531 or 42% of total revenues. This amount increased \$39,722 from 2019. Program revenues amounted to \$13,235,072 or 58% of total revenues, which decreased \$426,604 from 2019. This decrease was mostly due to the less federal revenues received for capital projects.
- Capital assets, net of accumulated depreciation, increased by \$1,050,442 in the governmental activities and increased \$10,634 in the business-type activities during 2020. The increase in governmental capital assets is primarily as a result of additional capital projects. The increase in business-type activities additional projects reduced by annual depreciation.
- Long-term debt decreased by \$427,137 in the governmental activities primarily due to principal payments and refunding of bonds. This amount also includes a \$6,205 decrease in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt increased by \$5,061,594 in the business-type activities. The city issued Series 2020 Revenue Bonds in the amount of \$6,000,000 in the current year. The City's total debt outstanding at September 30, 2020 is \$41,375,945 which includes the liability for compensated absences of \$417,084 and the net pension liability of \$13,751,937.

### Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$9,937,045 in revenues, which shows an increase of \$29,226 from 2019 and \$9,087,681 in expenditures, a decrease of \$59,255 from 2019, in the current year. The General Fund's fund balance increased \$1,340,844.

CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Gautier as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**Reporting the City of Gautier as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City's activities are reported as governmental and business-type activities, which include all of the City's services including general government, police, fire, public works, culture and recreations, community services, water and sewer and solid waste. The City of Gautier has no component units.

Table 1 and Table 2 provide a summary of the City's net position and changes in net position for 2020 compared to 2019.

CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

**TABLE 1**  
**Condensed Statement of Net Position**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 17,670,860	17,103,349	14,718,948	9,808,255	32,389,808	26,911,604
Capital assets	24,048,755	22,998,313	40,257,135	40,246,501	64,305,890	63,244,814
Total Assets	<u>41,719,615</u>	<u>40,101,662</u>	<u>54,976,083</u>	<u>50,054,756</u>	<u>96,695,698</u>	<u>90,156,418</u>
Deferred Outflows	<u>1,038,226</u>	<u>589,137</u>	<u>66,260</u>	<u>37,604</u>	<u>1,104,486</u>	<u>626,741</u>
Liabilities						
Current liabilities	545,189	600,386	1,132,042	1,281,608	1,677,231	1,881,994
Non-current liabilities	23,379,768	22,876,662	17,996,177	12,782,094	41,375,945	35,658,756
Total Liabilities	<u>23,924,957</u>	<u>23,477,048</u>	<u>19,128,219</u>	<u>14,063,702</u>	<u>43,053,176</u>	<u>37,540,750</u>
Deferred Inflows	<u>4,950,816</u>	<u>4,973,469</u>	<u>8,137</u>	<u>9,993</u>	<u>4,958,953</u>	<u>4,983,462</u>
Net Position						
Investment in capital assets, net of related debt	14,269,794	12,795,180	22,829,172	27,878,883	37,098,966	40,674,063
Restricted net assets	6,209,769	3,871,819	7,310,938	1,057,397	13,520,707	4,929,216
Unrestricted	(6,597,495)	(4,426,717)	5,765,877	7,082,385	(831,618)	2,655,668
Total Net Position	<u>\$ 13,882,068</u>	<u>12,240,282</u>	<u>35,905,987</u>	<u>36,018,665</u>	<u>49,788,055</u>	<u>48,258,947</u>

**TABLE 2**  
**Condensed Statement of Activities**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues	\$ 1,779,476	3,217,106	11,455,596	10,444,570	13,235,072	13,661,676
General revenues	9,217,744	9,080,524	389,787	487,235	9,607,531	9,567,759
Total revenues	<u>10,997,220</u>	<u>12,297,630</u>	<u>11,845,383</u>	<u>10,931,805</u>	<u>22,842,603</u>	<u>23,229,435</u>
Expenses:						
General government	2,742,552	2,299,086	-	-	2,742,552	2,299,086
Public safety	5,960,451	6,157,983	-	-	5,960,451	6,157,983
Public works	651,276	661,109	-	-	651,276	661,109
Culture and recreation	564,872	910,483	-	-	564,872	910,483
Interest on long-term debt	458,761	408,532	-	-	458,761	408,532
Water and sewer	-	-	9,638,050	8,199,528	9,638,050	8,199,528
Solid waste	-	-	1,297,533	1,219,397	1,297,533	1,219,397
Total expenses	<u>10,377,912</u>	<u>10,437,193</u>	<u>10,935,583</u>	<u>9,418,925</u>	<u>21,313,495</u>	<u>19,856,118</u>
Transfers	<u>1,022,478</u>	<u>835,487</u>	<u>(1,022,478)</u>	<u>(835,487)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	1,641,786	2,695,924	(112,678)	677,393	1,529,108	3,373,317
Net Position - beginning, restated	<u>12,240,282</u>	<u>9,544,358</u>	<u>36,018,665</u>	<u>35,341,272</u>	<u>48,258,947</u>	<u>44,885,630</u>
Net Position - ending	<u>\$ 13,882,068</u>	<u>12,240,282</u>	<u>35,905,987</u>	<u>36,018,665</u>	<u>49,788,055</u>	<u>48,258,947</u>

CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

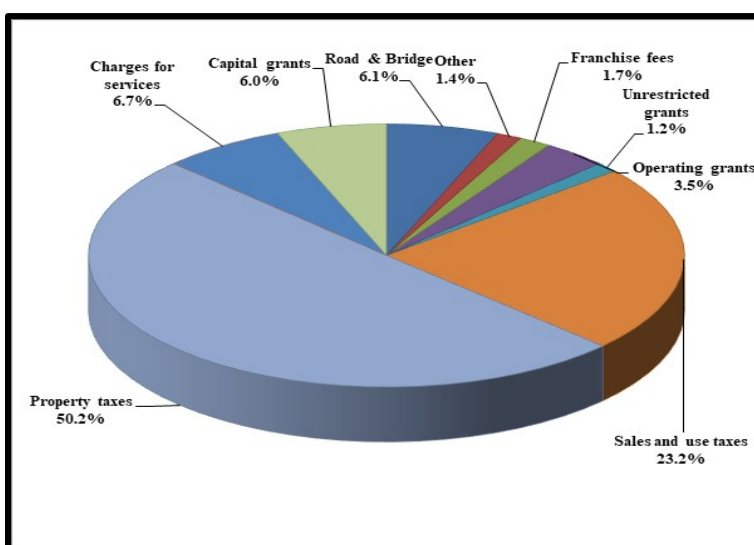
*Governmental Activities*

Total net position increased \$1,641,786 as a result primarily due to an increase in general revenues and a decrease in expenditures.

Under the accrual basis of accounting, general revenues amounted to of \$9,217,744 or 84% of total revenues. This amount increased \$137,220 from 2019 primarily due to a new general funding source from use taxes. Program revenues amounted to \$1,779,476 or 16% of total revenues, which decreased \$1,437,630 from 2019 primarily due to the completion of several capital projects funded by grant revenue.

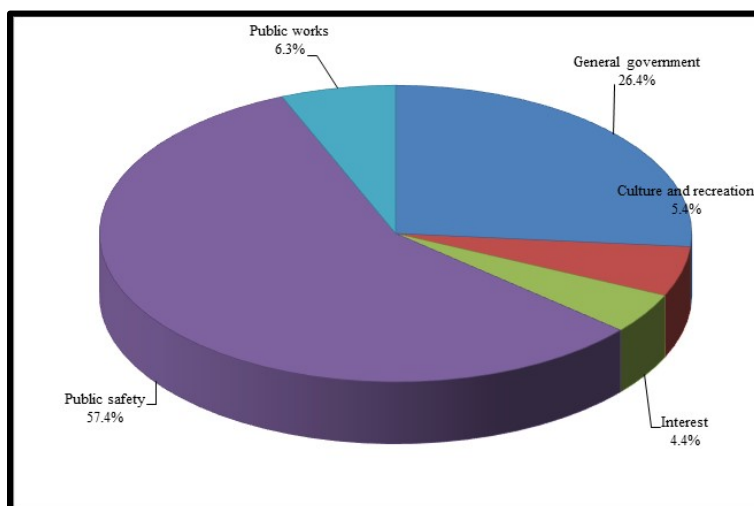
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

**Chart 1 – Governmental Revenue Sources**



Major governmental expense activities are shown in the following chart.

**Chart 2 – Governmental Activities**





CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

*Business-type activities*

Net position for the business-type activities was \$35,905,987 a decrease of \$112,678. Capital grant revenue increased due to on-going construction in progress funded by grants.

Restricted net position increased significantly during 2020 primarily due to unspent cash, debt service and legally required bond reserves in association with the new \$6,000,000 revenue bond.

**Reporting the City of Gautier's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Gautier, the City's major fund is the General fund.

***Governmental Funds***

The City's governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds***

The City's proprietary funds focus on business-type activities conducted by the City. These funds are reported using the accrual method of account, which uses an "economic resources" measurement focus. Under the accrual basis of accounting revenues are recognized in the period in which they are earned regardless of when cash flows occur. Expenses are recorded when the recognized service is performed or the goods are received regardless of when the invoice is paid. Proprietary Fund information helps you to determine whether business-type activities are self-maintaining or if they are being subsidized by general government revenues. The proprietary funds show operating revenues and expenses that support the primary operations of the fund.

***Fiduciary Funds***

Fiduciary Funds show amounts held by the City for the benefit of others and clearing accounts used by the city to track payroll expenditures and property tax receipts and disbursements.

CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

## The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and nonspendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

## General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. Governmental auditing standard require that cities present budgetary comparison schedules as required supplementary information to the financial statements. The most significant budgeted fund is the General Fund.

During the course of 2020, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Board of Alderman for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

## Capital Assets

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2020 and 2019.

**TABLE 3**  
**Schedule of Capital Assets (Net of Accumulated Depreciation)**  
**September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 6,228,137	6,228,137	1,215,870	1,215,870	7,444,007	7,444,007
Construction in progress	985,831	1,133,302	517,115	910,099	1,502,946	2,043,401
Buildings & improvements	2,459,176	2,519,389	-	-	2,459,176	2,519,389
Infrastructure	13,178,784	11,997,668	35,364,488	34,812,255	48,543,272	46,809,923
Machinery & equipment	409,017	506,607	386,553	459,929	795,570	966,536
Equipment under capital leases	787,810	613,210	2,773,109	2,848,348	3,560,919	3,461,558
Total	<u>\$ 24,048,755</u>	<u>22,998,313</u>	<u>40,257,135</u>	<u>40,246,501</u>	<u>64,305,890</u>	<u>63,244,814</u>

The primary increase in capital assets occurred due to completion of capital projects.

CITY OF GAUTIER, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2020

**General Long-term Obligations**

At September 30, 2020, the City had \$27,624,008 outstanding debt obligations, which included \$417,084 of compensated absences payable.

**TABLE 4**  
**Schedule of Long-term Debt**  
**September 30, 2020 and 2019**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
General Obligation Bonds	\$ 4,217,000	4,680,000	-	-	4,217,000	4,680,000
Limited Obligation Bonds	4,390,000	4,390,000	-	-	4,390,000	4,390,000
Revenue Refunding Bonds	-	-	9,725,000	3,865,000	9,725,000	3,865,000
Special Obligation Bonds	-	-	2,525,000	2,670,000	2,525,000	2,670,000
Capital Improvement Loans	620,808	667,130	-	-	620,808	667,130
Revolving Loans	-	-	3,063,611	3,506,143	3,063,611	3,506,143
Capital Leases	484,603	396,213	2,114,352	2,326,475	2,598,955	2,722,688
Add: Bond Premium*	66,550	69,790	-	-	66,550	69,790
Compensated Absences	398,947	405,152	18,137	16,888	417,084	422,040
Total	<u>\$ 10,177,908</u>	<u>10,608,285</u>	<u>17,446,100</u>	<u>12,384,506</u>	<u>27,624,008</u>	<u>22,992,791</u>

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid over-time as people leave or retire. This liability refers to vacation pay for employees of the city. See Note 1 for more details.

**Contact the City's Financial Management**

Questions about this report or requests for additional financial information may be addressed to:

Paula Yancy, City Manager  
City of Gautier, Mississippi  
3330 Highway 90  
Gautier, MS 39553  
(228) 497-8000

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## FINANCIAL STATEMENTS

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# City of Gautier, Mississippi

## Statement of Net Position

September 30, 2020

	Governmental	Business-Type	Total
<b>Assets</b>			
Current assets			
Cash	\$ 11,008,554	12,030,310	23,038,864
Taxes receivables	4,894,330	-	4,894,330
Customer accounts receivable (net of allowance)	-	1,371,583	1,371,583
Intergovernmental receivables	812,215	151,615	963,830
Fines receivable (net of allowance)	700,863	-	700,863
Self-insurance premium prepayments	130,324	-	130,324
Interfund	(14,996)	14,996	-
Due from fiduciary funds	139,570	-	139,570
Restricted current assets - cash	-	1,150,444	1,150,444
<b>Total Current Assets</b>	<b>17,670,860</b>	<b>14,718,948</b>	<b>32,389,808</b>
Capital assets			
Land and construction in progress	7,213,968	1,732,985	8,946,953
Other capital assets (net of accumulated depreciation):			
Buildings	2,459,176	-	2,459,176
Infrastructure	13,178,784	35,364,488	48,543,272
Machinery equipment	409,017	386,553	795,570
Equipment under capital leases	787,810	2,773,109	3,560,919
<b>Total Capital Assets</b>	<b>24,048,755</b>	<b>40,257,135</b>	<b>64,305,890</b>
<b>Total Assets</b>	<b>41,719,615</b>	<b>54,976,083</b>	<b>96,695,698</b>
<b>Deferred Outflow of Resources</b>			
Deferred amounts on pension	1,038,226	66,260	1,104,486
<b>Total Deferred Outflow of Resources</b>	<b>1,038,226</b>	<b>66,260</b>	<b>1,104,486</b>
<b>Liabilities</b>			
Current liabilities:			
Claims and wages payable	349,258	224,319	573,577
Accrued interest payable	32,271	130,371	162,642
Claims and judgements payable	163,660	-	163,660
Payable from restricted assets			
Customer deposits	-	777,352	777,352
Noncurrent Liabilities:			
Net pension liability	13,201,860	550,077	13,751,937
Due within one year			
Capital debt	809,938	1,061,660	1,871,598
Noncapital debt	59,131	2,552	61,683
Due in more than one year			
Capital debt	8,969,023	16,366,303	25,335,326
Noncapital debt	339,816	15,585	355,401
<b>Total Liabilities</b>	<b>23,924,957</b>	<b>19,128,219</b>	<b>43,053,176</b>
<b>Deferred Inflows of Resources</b>			
Property tax for future reporting period	4,823,329	-	4,823,329
Deferred amount on pension	127,487	8,137	135,624
<b>Total Deferred Inflows of Resources</b>	<b>4,950,816</b>	<b>8,137</b>	<b>4,958,953</b>
<b>Net Position</b>			
Investment in capital assets, net of related debt	14,269,794	22,829,172	37,098,966
Restricted Net Position:			
Non-expendable	136,311	-	136,311
Expendable:			
Restricted for debt service	-	1,150,444	1,150,444
Restricted for grant/bond purposes	5,435,630	6,160,494	11,596,124
Restricted for public safety	637,828	-	637,828
Unrestricted	(6,597,495)	5,765,877	(831,618)
<b>Total Net Position</b>	<b>\$ 13,882,068</b>	<b>35,905,987</b>	<b>49,788,055</b>

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

**City of Gautier, Mississippi**  
**Statement of Activities**  
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:					\$		
General government	\$ 2,742,552	124,016	220,674	-	(2,397,862)		(2,397,862)
Public safety	5,960,451	513,028	22,148	239,443	(5,185,832)		(5,185,832)
Public works	651,276	-	-	83,733	(567,543)		(567,543)
Culture, recreation and community services	564,872	101,645	141,758	333,031	11,562		11,562
Interest on long-term debt	458,761	-	-	-	(458,761)		(458,761)
Total governmental activities	<u>10,377,912</u>	<u>738,689</u>	<u>384,580</u>	<u>656,207</u>	<u>(8,598,436)</u>		<u>(8,598,436)</u>
Business-type activities:							
Water and sewer	9,638,050	8,672,451	-	1,308,018		342,419	342,419
Solid waste	1,297,533	1,475,127	-	-		177,594	177,594
Total business-type activities	<u>10,935,583</u>	<u>10,147,578</u>	<u>-</u>	<u>1,308,018</u>		<u>520,013</u>	<u>520,013</u>
Total government	<u>\$ 21,313,495</u>	<u>10,886,267</u>	<u>384,580</u>	<u>1,964,225</u>		<u>520,013</u>	<u>(8,078,423)</u>
General Revenues:							
Taxes:							
Property taxes, general					3,987,400	-	3,987,400
Property taxes, debt service					955,738	-	955,738
Property taxes, community support					116,297	-	116,297
Property taxes in lieu - federal government					463,578	-	463,578
General sales taxes					2,551,007	-	2,551,007
Road and bridge privilege taxes					668,863	-	668,863
Franchise taxes					191,245	-	191,245
Grants and contributions not restricted to a special purpose					134,998	-	134,998
Unrestricted investment earnings					98,518	102,459	200,977
Miscellaneous					50,100	287,328	337,428
Total general revenues					<u>9,217,744</u>	<u>389,787</u>	<u>9,607,531</u>
Transfers					1,022,478	(1,022,478)	-
Total general revenues and transfers					<u>10,240,222</u>	<u>(632,691)</u>	<u>9,607,531</u>
Changes in net position					1,641,786	(112,678)	1,529,108
Net position - beginning					<u>12,240,282</u>	<u>36,018,665</u>	<u>48,258,947</u>
Net position - ending					<u>\$ 13,882,068</u>	<u>35,905,987</u>	<u>49,788,055</u>

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

**City of Gautier, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2020**

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 4,272,121	6,033,842	10,305,963
Receivables:			
Property tax	4,780,476	113,854	4,894,330
Sales tax	420,001	-	420,001
Franchise taxes	294,150	-	294,150
Intergovernmental	65,601	32,463	98,064
Court fines & fees	700,863	-	700,863
Due from other funds	139,570	111,201	250,771
Total Assets	<u>10,672,782</u>	<u>6,291,360</u>	<u>16,964,142</u>
<b>LIABILITIES</b>			
Claims payable	97,577	43,924	141,501
Wages payable	207,757	-	207,757
Due to other funds	126,197	-	126,197
Total Liabilities	<u>431,531</u>	<u>43,924</u>	<u>475,455</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes for future reporting period	4,711,159	112,170	4,823,329
Unavailable revenue - fines	700,863	-	700,863
Total Deferred Inflows of Resources	<u>5,412,022</u>	<u>112,170</u>	<u>5,524,192</u>
<b>FUND BALANCES</b>			
Non-spendable			
Unemployment compensation	4,845	-	4,845
Restricted:			
Grant/bond purposes	38,564	5,397,066	5,435,630
Public safety	-	637,828	637,828
Committed:			
Capital projects	-	100,372	100,372
Assigned:			
Emergency travel fund	1,144	-	1,144
Unassigned	4,784,676	-	4,784,676
Total Fund Balances	<u>4,829,229</u>	<u>6,135,266</u>	<u>10,964,495</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,672,782</u>	<u>6,291,360</u>	<u>16,964,142</u>

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

**City of Gautier, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2020**

<b>Total governmental funds balance</b>		<b>\$ 10,964,495</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Governmental capital assets	\$ 29,236,031	
Less: accumulated depreciation	<u>(5,187,276)</u>	24,048,755
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		
Bonds payable (including premium)	\$ (8,673,550)	
Notes payable	(620,808)	
Capital leases payable	(484,603)	
Compensated absences	<u>(398,947)</u>	(10,177,908)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 700,863</u>	700,863
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(13,201,860)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,038,226	
Deferred inflows of resources related to pensions	<u>(127,487)</u>	910,739
Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Position as follows:		
Current assets	\$ 832,915	
Estimated claims payable	<u>(163,660)</u>	669,255
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(32,271)</u>
Net position of governmental activities		<b><u><u>\$ 13,882,068</u></u></b>

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



**City of Gautier, Mississippi**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance – Governmental Funds**  
**For the Fiscal Year Ended September 30, 2020**

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 5,406,716	116,297	5,523,013
General sales and use taxes	2,551,007	-	2,551,007
Franchise fees	191,245	-	191,245
Licenses and permit fees	124,016	-	124,016
Intergovernmental	1,097,273	731,135	1,828,408
Charges for services	11,863	99,217	111,080
Fines and forfeitures	447,394	-	447,394
Investment earnings	41,571	53,932	95,503
Miscellaneous	65,960	3,010	68,970
Total Revenues	<u>9,937,045</u>	<u>1,003,591</u>	<u>10,940,636</u>
Expenditures:			
General government	2,400,763	223,268	2,624,031
Public safety	5,420,993	126,138	5,547,131
Public works	356,610	-	356,610
Culture & recreation	473,175	-	473,175
Capital outlay	328,874	1,385,689	1,714,563
Debt service:			
Principal	99,328	801,603	900,931
Interest and bond issue costs	7,938	465,976	473,914
Total Expenditures	<u>9,087,681</u>	<u>3,002,674</u>	<u>12,090,355</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>849,364</u>	<u>(1,999,083)</u>	<u>(1,149,719)</u>
Other Financing Sources (Uses):			
Proceeds from refunding bonds	-	4,244,000	4,244,000
Payments to bond escrow agents	-	(4,050,000)	(4,050,000)
Proceeds from capital leases	285,999	-	285,999
Transfers in	1,022,478	816,997	1,839,475
Transfers out	(816,997)	-	(816,997)
Total Other Financing Sources (Uses)	<u>491,480</u>	<u>1,010,997</u>	<u>1,502,477</u>
Net change in fund balances	1,340,844	(988,086)	352,758
Fund balances - beginning	<u>3,488,385</u>	<u>7,123,352</u>	<u>10,611,737</u>
Fund balances - ending	<u>\$ 4,829,229</u>	<u>6,135,266</u>	<u>10,964,495</u>

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

**City of Gautier, Mississippi**  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities  
For the Fiscal Year Ended September 30, 2020

**Net Change in Fund Balances - total governmental funds** **\$ 352,758**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,714,563	
Depreciation	<u>(664,121)</u>	1,050,442

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces

Proceeds from bond issue	(4,244,000)
Proceeds from capital leases	(285,999)
Debt retirement	4,950,931

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.

53,569

Pension expense and other related activity do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Pension expense and contributions made after measurement date	(452,222)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	11,913
Amortization of bond premium	3,240
Compensated absences	6,205

Internal service funds are used by management to charge the cost of certain activities, such as insurance costs and risk management, to individual funds.

194,949

**Change in net position of governmental activities** **\$ 1,641,786**

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

**City of Gautier, Mississippi**

Statement of Net Position

Proprietary Funds

September 30, 2020

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
<b>Assets</b>				
Current assets				
Cash	\$ 11,925,550	104,760	12,030,310	702,591
Customer accounts receivable, net	1,160,787	210,796	1,371,583	-
Premiums receivable	-	-	-	21,179
Intergovernmental	151,615		151,615	-
Due from other fund	14,996	126,184	141,180	-
Prepaid	-	-	-	109,145
Restricted current asset				
Cash	1,150,444	-	1,150,444	-
Total Current Assets	14,403,392	441,740	14,845,132	832,915
Capital assets, net				
Land	1,215,870	-	1,215,870	-
Construction in progress	517,115		517,115	-
Infrastructure	48,985,280	-	48,985,280	-
Machinery and equipment	1,714,461	36,952	1,751,413	-
Equipment under capital leases	3,224,544	-	3,224,544	-
Less: Accumulated depreciation	(15,403,829)	(33,258)	(15,437,087)	
Total Capital Assets	40,253,441	3,694	40,257,135	-
Total Assets	54,656,833	445,434	55,102,267	832,915
<b>Deferred Outflow of Resources</b>				
Deferred amounts on pensions	66,260	-	66,260	-
Total Deferred Outflow of Resources	66,260	-	66,260	-
<b>Liabilities</b>				
Current liabilities:				
Claims and wages payable	224,319	-	224,319	-
Accrued interest payable	130,371	-	130,371	-
Due to other fund	126,184	-	126,184	-
Claims and judgements payable	-	-	-	163,660
Customer deposits	777,352	-	777,352	-
Noncurrent Liabilities:				
Net pension liability	550,077	-	550,077	-
Due within one year				
Capital debt	1,061,660	-	1,061,660	-
Noncapital debt	2,552	-	2,552	-
Due in more than one year				
Capital debt	16,366,303	-	16,366,303	-
Noncapital debt	15,585	-	15,585	-
Total Liabilities	19,254,403	-	19,254,403	163,660
<b>Deferred Inflow of Resources</b>				
Deferred amounts on pensions	8,137	-	8,137	-
Total Deferred Inflow of Resources	8,137	-	8,137	-
<b>Net Position</b>				
Net investment in capital assets	22,825,478	3,694	22,829,172	-
Restricted Net Position				
Restricted for debt service	1,150,444	-	1,150,444	-
Restricted for grant/bond purposes	6,160,494	-	6,160,494	-
Unrestricted	5,324,137	441,740	5,765,877	669,255
Total Net Position	\$ 35,460,553	445,434	35,905,987	669,255

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

**City of Gautier, Mississippi**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2020**

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Operating revenues				
Charges for services	\$ 8,672,451	1,475,127	10,147,578	-
Employer contributions	-	-	-	1,211,297
Employee contributions	-	-	-	144,767
Insurance claim reimbursements	-	-	-	89,433
Miscellaneous operating revenues	287,328	-	287,328	-
Total operating revenues	<u>8,959,779</u>	<u>1,475,127</u>	<u>10,434,906</u>	<u>1,445,497</u>
Operating Expenses:				
Personnel services	534,084	-	534,084	-
Wastewater treatment	2,410,308	-	2,410,308	-
Privatization costs	2,048,289	-	2,048,289	-
Waste collection and disposal	-	1,297,533	1,297,533	-
Supplies	202,664	-	202,664	-
Maintenance and repairs	161,417	-	161,417	-
Other contractual services and charges	2,489,851	-	2,489,851	334
Claims and estimate changes	-	-	-	1,254,786
Depreciation	1,272,056	-	1,272,056	-
Total operating expenses	<u>9,118,669</u>	<u>1,297,533</u>	<u>10,416,202</u>	<u>1,255,120</u>
Operating income (loss)	<u>(158,890)</u>	<u>177,594</u>	<u>18,704</u>	<u>190,377</u>
Non-operating Revenues (Expenses)				
Interest and investment revenue	102,459	-	102,459	4,572
Interest expense and bond issue costs	(519,381)	-	(519,381)	-
Grant revenue	1,308,018	-	1,308,018	-
Transfers out	(695,308)	(327,170)	(1,022,478)	-
Total non-operating Revenues (Expenses)	<u>195,788</u>	<u>(327,170)</u>	<u>(131,382)</u>	<u>4,572</u>
Change in net position	36,898	(149,576)	(112,678)	194,949
Total net position - beginning	<u>35,423,655</u>	<u>595,010</u>	<u>36,018,665</u>	<u>474,306</u>
Total net position - ending	<u>\$ 35,460,553</u>	<u>445,434</u>	<u>35,905,987</u>	<u>669,255</u>

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

**City of Gautier, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2020

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,850,188	1,469,181	10,319,369	-
Cash received for premiums	-	-	-	1,102,152
Other operating receipts	287,328	-	287,328	234,200
Cash paid to employees	(412,236)	-	(412,236)	-
Cash paid to suppliers	(202,664)	-	(202,664)	-
Cash paid to contractors	(7,310,018)	(1,297,533)	(8,607,551)	-
Cash paid for judgements and claims	-	-	-	(1,158,272)
Cash paid for administrative services	-	-	-	(334)
Net cash provided by (used in) operating activities	1,212,598	171,648	1,384,246	177,746
Cash Flows From Non-Capital Financing Activities				
Grant revenues	1,419,010	-	1,419,010	-
Advances from (to) other funds	(825,127)	(237,027)	(1,062,154)	(22,833)
Net cash flows provided by (used in) non-capital financing activities	593,883	(237,027)	356,856	(22,833)
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(1,282,689)	-	(1,282,689)	-
Issance of new debt	6,000,000	-	6,000,000	-
Repayment of debt	(939,654)	-	(939,654)	-
Interest and amortization on debt	(521,203)	-	(521,203)	-
Net cash provided by (used in) capital and related financing activities	3,256,454	-	3,256,454	-
Cash Flows From Investing Activities				
Interest received	102,459	-	102,459	4,572
Net cash flows provided by (used in) investing activities	102,459	-	102,459	4,572
Net increase (decrease) in cash	5,165,394	(65,379)	5,100,015	159,485
Cash - October 1	7,910,600	170,139	8,080,739	543,106
Cash - September 30	\$ 13,075,994	104,760	13,180,754	702,591

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

**City of Gautier, Mississippi**  
**Statement Cash Flows**  
**Proprietary Funds (continued)**  
**For the Fiscal Year Ended September 30, 2020**

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used In) Operating Activities:				
Operating income (loss)	\$ (158,890)	177,594	18,704	190,377
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,272,056	-	1,272,056	-
(Increase) decrease in assets:				
Accounts receivable	123,952	(5,946)	118,006	(109,145)
Customer deposits	53,785	-	53,785	-
Increase (decrease) in liabilities:				
Claims and wages payable	(201,275)	-	(201,275)	-
Compensated absences	1,249	-	1,249	-
Pension liabilities and deferrals	121,721	-	121,721	-
Claims and judgements payable	-	-	-	96,514
Net cash provided by (used in) operating activities	\$ 1,212,598	171,648	1,384,246	177,746

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

**City of Gautier, Mississippi**  
Statement of Assets  
and Liabilities – Agency Funds  
September 30, 2020

		Payroll Clearing Account
Assets	\$	<u>289,287</u>
Cash		<u>289,287</u>
Total Assets		<u><u>289,287</u></u>
Liabilities		
Due to other intra-entity government agencies		139,570
Accrued liabilities		<u>149,717</u>
Total Liabilities	\$	<u><u>289,287</u></u>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies**

The City of Gautier, Mississippi, (the "City") was incorporated June 17, 1986 under the laws of the State of Mississippi. The City operates under a Council-Manager form of government, which provides for an elected mayor and a six-member council. The following services are authorized by the City's charter: Public Safety (Police, Fire, Civil Defense and Protection Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture, Recreation and Community Services, Public Improvements, Planning and Zoning, and General Administrative Services. The accounting and reporting policies of the City relating to the funds and accounts groups included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

**A. Financial Reporting Entity**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As defined by accounting principles generally accepted in the United States of America, the City is considered a "primary government." The City is governed by a six member council in which five members were elected by the citizens of each defined ward and one member elected at-large.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in Accounting Principles Generally Accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity. Based upon the application of these criteria, the City has no component units.

**Jackson County Utility Authority**

This potential component unit was established by State Code and its governing board is appointed jointly by the area governments' governing bodies. This is an independent unit that selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities. The District has been determined to be a joint venture of the participating agencies. See Note 13 for details.

**B. Basis of Presentation.**

The City's basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues, not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The City's proprietary funds apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the proprietary funds are classified as operating and non-operating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's primary operations. All other revenue and expenses are reported as non-operating.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This is the City's primary operating fund. It is used to account for all activities of the general government for which a separate fund has not been established.

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets.

**PROPRIETARY FUNDS**

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

It is the intent of the City Council that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and that periodic determination of revenues earned, expenses incurred, and net income be identified for capital maintenance, public policy, management control, account ability, or other purposes.

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The City's internal service funds report on self-insurance for employee medical benefits and risk management for City's legal contingencies.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**FIDUCIARY FUNDS**

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers' Association.

**E. Deposits and Investments**

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City had an investment that included governmental bonds during the fiscal year.

**F. Receivables**

All trade receivables are shown net of an allowance for uncollectibles. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by customers of the water and sewer department since the City started providing these services to citizens. The allowances are based on trade receivables in excess of 120 days outstanding.

**G. Inter-Fund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of inter-fund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned.

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Any outstanding balances between fiduciary funds and the government-wide activities of the government are reported as Intra-entity balances and included in intergovernmental receivables on the Statement of Net Position.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**H. Intragovernmental Transactions and Balances**

Transactions between governmental agencies (agency funds) of the City are considered as transactions with external parties and are reported as revenues and expenditures/expenses in both the fund statements and the government-wide statements. However, associated receivables and payables are displayed as intragovernmental balances on the Statement of Net Position.

**I. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2020, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds, estimated useful lives and salvage value percentage of cost:

	Capitalization Threshold	Estimated Useful Life	Salvage Value (% of Cost)
Land	\$ -	N/A	N/A
Infrastructure	-	20 years	30%
Buildings	50,000	40 years	20%
Improvements	25,000	20 years	20%
Heavy machinery & equipment	5,000	10 years	10%
Machinery & equipment	5,000	5 years	10%
Property under capital leases	*	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources expenditure until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

*Deferred amounts on pensions* – Deferred outflows and inflows of resources should be reported when to show the City's proportionate share of amounts of the effects of actuarial differences and changes in assumptions to economic or demographic factors and differences between actual and projected earnings of multi-employer pension plan. In addition, a deferred inflow should be reported for employer contributions to the pension plan made subsequent to the measurement date.

*Property tax for future reporting period/unavailable revenue – property taxes* – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

*Unavailable revenue – fines* – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and the Proprietary Fund financial information, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business activities Statement of Net Position.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**M. Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured.

An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 240 hours of an accumulated leave of pay. Employees have no claim for accumulated sick leave at termination, for retirement, lay-off, or cause. As such, no provision for unused sick leave has been provided in the financial statements. Unused vacation and sick leave balances may be credited to the Public Employee's Retirement System (PERS) as time worked.

**N. Fund Balance Policies**

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. The following are descriptions of fund classifications used by the City:

*Non-spendable fund balance* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is an order of the City Council as approved in the board minutes.

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as non-spendable and is neither restricted nor committed. Assignments of fund balance are created by management pursuant to authorization established by the Board of Alderman.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

**O. Net Position**

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net investment in Capital Assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

*Unrestricted net position* - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

**P. Intergovernmental Revenues in Governmental Funds**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**Q. Property Tax Revenues**

Numerous statutes exist under which the City Council may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The City Council, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.



**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

S. Reporting Changes and New Accounting Pronouncements for Future Implementation

*Reporting Changes*

Effective for fiscal year 2020 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 84, *Fiduciary Activities*. Effective for reporting periods beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Effective for reporting periods beginning after June 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for reporting periods beginning after December 15, 2020.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*. Effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

**Note 2 – Cash**

The carrying amount of cash was \$24,478,595 with city's total deposits with financial institutions at September 30, 2020, at \$24,476,425 and cash on hand at \$2,170. The bank balance was \$24,602,896. Of this amount \$1,150,444 for debt service reserve deposits. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 2 – Cash (continued)**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**Note 3 – Receivables**

**A. Governmental Activities**

Receivables in the governmental activities at September 30, 2020, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 71,001
For future reporting period	4,823,329
Total taxes receivable	<u>4,894,330</u>
Intergovernmental receivable:	
Sales taxes	420,001
Franchise taxes	294,150
County road taxes	24,601
State grants	73,463
Total intergovernmental	<u>812,215</u>
Court fines receivable	14,017,269
Less: allowance for doubtful accounts	<u>(13,316,406)</u>
Total court fines receivable, net	<u>700,863</u>
Total receivable - governmental activities	<u>\$ 6,407,408</u>

**B. Business-type Activities**

Receivable in the business-type activities at September 30, 2020, consisted of the following:

Intergovernmental receivable:	
Federal grants	62,665
State grants	88,950
Total intergovernmental	<u>151,615</u>
Customer accounts receivable:	
Customer utility charges (billed)	3,288,026
Customer accounts, earned but unbilled	518,497
Less: allowance for doubtful accounts	<u>(2,434,940)</u>
Total customer accounts receivable, net	<u>1,371,583</u>
Total receivable - business-type activities	<u>\$ 1,523,198</u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$2,300,530 at September 30, 2020 has been provided in the Water and Sewer Enterprise Fund and \$134,410 has been provided in the Solid Waste Enterprise Fund for estimated uncollectible utility charges for a total of \$2,434,940.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 4 – Interfund Transactions and Balances**

Government-wide Financial Statements

A. Internal Balances

At September 30, 2020, the City had the following transfers:

Transfers In	Transfers Out	Amount
Governmental Activities	Business-type Activities	\$ 1,022,478

These amounts represent monies transferred from the governmental-type activities to the business-type activities for construction of water wells.

B. Intra-entity Balances

At September 30, 2020 the City had the following intra entity balances:

Due from other Government Agencies	Due to other Government Agencies	Amount
Governmental Activities	Fiduciary Agency Funds	139,570
		\$ 139,570

These amounts represent excess cash transfers to the agency clearing funds that are owed back to the City Depository.

Fund Financial Statements

A. Due From/To Other Funds:

During the course of the year, certain expenditures were paid on a reimbursement basis requiring the City to borrow monies at year-end from the general fund in order to prevent a deficit cash balance in certain funds. Allocation percentages of federal reimbursement for construction projects caused expenditures to be paid from the wrong fund requiring many “due to/due from” transactions requiring cash transfer after year end.

Receivable	Payable	Amount
General Fund	Fiduciary Funds	\$ 139,570
Other Governmental Funds	General Fund	111,201
Water & Sewer Fund	General Fund	14,996
Solid Waste Fund	Water & Sewer Fund	126,184
		\$ 391,951

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 4 – Interfund Transactions and Balances (continued)**

**B. Transfers In/Out:**

Transfers were made in the course of the year for loans to various funds. Other transfers were made to reimburse the various funds for expenditures made on the behalf of other fund purposes.

Transfers In	Transfers Out	Amount
General Fund	Water & Sewer Fund	\$ 695,308
General Fund	Solid Waste Fund	327,170
Other Governmental Funds	General Fund	816,997
		<u>\$ 1,839,475</u>

**Note 5 – Capital assets**

**A. Governmental Activities**

The following is a summary of governmental capital assets activity for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Adjustments/ Sales	Balance 9/30/2020
Capital assets not being Depreciated:				
Land	\$ 6,228,137	-	-	6,228,137
Construction in Progress	1,133,302	1,385,689	(1,533,160)	985,831
Total capital assets not being depreciated	<u>7,361,439</u>	<u>1,385,689</u>	<u>(1,533,160)</u>	<u>7,213,968</u>
Capital assets being depreciated:				
Buildings & Improvements	3,147,307	-	-	3,147,307
Infrastructure	14,411,316	-	1,533,160	15,944,476
Machinery & Equipment	1,606,115	19,200	-	1,625,315
Equipment under Capital Leases	995,291	309,674	-	1,304,965
Total capital assets being depreciated	<u>20,160,029</u>	<u>328,874</u>	<u>1,533,160</u>	<u>22,022,063</u>
Less accumulated depreciation for:				
Buildings & improvements	627,918	60,213	-	688,131
Infrastructure	2,413,648	352,044	-	2,765,692
Machinery & Equipment	1,099,508	116,790	-	1,216,298
Equipment under Capital Leases	382,081	135,074	-	517,155
Total accumulated depreciation	<u>4,523,155</u>	<u>664,121</u>	<u>-</u>	<u>5,187,276</u>
Total Capital assets being depreciated, net	<u>15,636,874</u>	<u>(335,247)</u>	<u>1,533,160</u>	<u>16,834,787</u>
Total governmental activities capital assets, net	<u>\$ 22,998,313</u>	<u>1,050,442</u>	<u>-</u>	<u>24,048,755</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 5 – Capital assets (continued)**

Depreciation expense was charged to the following governmental functions:

General Government	\$ 40,754
Public Safety	260,065
Public Works	281,715
Culture & Recreation	81,587
	<u>\$ 664,121</u>

**B. Business-type Activities**

The following is a summary of business-type capital assets activity for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Adjustments/ Sales	Balance 9/30/2020
Capital assets not being Depreciated:				
Land	\$ 1,215,870	-	-	1,215,870
Construction in Progress	910,099	1,282,689	(1,675,673)	517,115
Total capital assets not being depreciated	<u>2,125,969</u>	<u>1,282,689</u>	<u>(1,675,673)</u>	<u>1,732,985</u>
Capital assets being depreciated:				
Infrastructure	47,309,607	-	1,675,673	48,985,280
Machinery & Equipment	1,751,411	-	2	1,751,413
Equipment under Capital Leases	3,224,544	-	-	3,224,544
Total capital assets being depreciated	<u>52,285,562</u>	<u>-</u>	<u>1,675,675</u>	<u>53,961,237</u>
Less accumulated depreciation for:				
Infrastructure	12,497,352	1,123,440	-	13,620,792
Machinery & Equipment	1,291,482	73,377	1	1,364,860
Equipment under Capital Leases	376,196	75,239	-	451,435
Total accumulated depreciation	<u>14,165,030</u>	<u>1,272,056</u>	<u>1</u>	<u>15,437,087</u>
Total Capital assets being depreciated, net	<u>38,120,532</u>	<u>(1,272,056)</u>	<u>1,675,674</u>	<u>38,524,150</u>
Total business-type activities capital assets, net	<u>\$ 40,246,501</u>	<u>10,633</u>	<u>1</u>	<u>40,257,135</u>

Depreciation expense was charged to the following governmental functions:

Water and Sewer Fund	\$ 1,272,056
Solid Waste Fund	-
Total depreciation - business-type activities	<u>\$ 1,272,056</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 6 – Court Fines Receivable/Deferred Inflows of Resources**

Court fines receivables are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by citizens to the municipal courts since the City started providing court services. Court fines receivable at September 30, 2020, were \$14,017,269, of which an allowance of \$13,316,406 has been determined as uncollectible with \$700,863 deemed collectible.

**Note 7 – Claims and Judgments**

**Risk Financing**

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool.

The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2020, to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The City is exposed to risk of loss relating to employee health, accident and dental coverage. Pursuant to Section 25-15-101, Miss. Code Ann. (1972), the City established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each employee pays a portion of his/her premium through a payroll deduction. The City pays the remaining portion of the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The City has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The City has implemented the following plans to minimize this potential loss:

The City has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$65,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2020, the amount of this liability was \$163,660.

	<u>Amount</u>
Liability at beginning of year	\$ 67,146
Claims and changes of estimates	1,023,980
Claims payments	<u>(1,254,786)</u>
Liability at end of year	<u><u>\$ (163,660)</u></u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 8 – Retirement Plan**

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature.

*Plan Description and Provisions*

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits Provided*

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public cities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions*

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2020, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 8 – Retirement Plan (continued)**

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2020, the City reported a liability of \$13,201,860 in the governmental activities and \$550,077 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was .071%. For the year ended September 30, 2020, the City recognized PERS pension expense for governmental activities of \$1,235,426 and for the business-type activities of \$170,931.

At September 30, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 112,216	7,152	119,368
Changes of assumptions	72,313	4,616	76,929
Net difference between projected and actual earnings on pension plan investments	530,983	33,893	564,876
Changes in proportion and differences between City contributions and proportionate share on contributions	149,249	9,527	158,776
City's contributions subsequent to the measurement date	173,465	11,072	184,537
Total deferred outflows related to pensions	<u>\$ 1,038,226</u>	<u>66,260</u>	<u>1,104,486</u>

At September 30, 2020, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Changes in proportion and differences between City contributions and proportionate share on contributions	\$ 127,487	\$ 8,137	\$ 135,624
Total	<u>\$ 127,487</u>	<u>\$ 8,137</u>	<u>\$ 135,624</u>

Within the deferred outflows, a net amount of \$184,537 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2020.



**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 8 – Retirement Plan (continued)**

The remaining amounts reported as deferred outflows of resources related to pensions of \$919,949 and deferred inflows of resources related to pensions of \$135,624 netting to \$784,325 will be recognized in pension expense as follows:

Year Ending September 30,	
2021	\$ 86,593
2022	280,081
2023	235,630
2024	182,021
	<u>\$ 784,325</u>

*Actuarial assumptions*

The total pension liabilities in the June 30, 2020, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on the investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of the plans' investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 8 – Retirement Plan (continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	N/A
Total	<u>100.00 %</u>	

*Discount rate*

The discount rate used to measure the total pension liability for PERS was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and at the current contribution rate (17.4%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate*

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1 % Increase (8.75%)
City's Proportionate share of PERS	\$ 17,800,194	\$ 13,751,937	\$ 10,410,500

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

*Three-year Trend Information*

The City's contributions to PERS for the fiscal years ending September 30, 2020, 2019 and 2018 were \$820,340, \$756,838, and \$722,163, respectively, which equaled the required contributions for each year.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt**

**A. Governmental Activities**

Transactions for the year ended September 30, 2020 are summarized as follows:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due Within one Year
General Obligation Bonds	\$ 4,680,000	4,244,000	(4,707,000)	4,217,000	413,000
Special Obligation Bonds	4,390,000	-		4,390,000	145,000
Capital Improvement Loan	667,130	-	(46,322)	620,808	33,597
Capital Leases	396,213	285,999	(197,609)	484,603	218,341
Compensated Absences	405,152	-	(6,205)	398,947	59,131
	<u>10,538,495</u>	<u>4,529,999</u>	<u>(4,957,136)</u>	<u>10,111,358</u>	<u>869,069</u>
Add:					
Bond Premium	69,790		(3,240)	66,550	-
	<u>\$ 10,608,285</u>	<u>\$ 4,529,999</u>	<u>\$ (4,960,376)</u>	<u>\$ 10,177,908</u>	<u>\$ 869,069</u>

General Obligation Refunding Bonds, Series 2020 – In 2020, the City issued \$4,244,000 in general obligation refunding bonds. The net proceeds of the \$4,117,855 were used to advance refund the GO Bonds, Series 2010, carrying an average interest rate of 3.13%, in the principal amount of \$4,050,000.

The bond is to be repaid over 10 years, maturing in 2030, and carries a fixed interest rate of 1.75%. The refunding was done in order to reduce total debt payments. The refunding decreased the City's total debt service payments by approximately \$615,001. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$527,375. Payment on this bond will be made from general ad valorem tax collections.

Annual debt service requirements to maturity for these bonds payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	413,000	73,798	486,798
2022	425,000	66,570	491,570
2023	439,000	59,133	498,133
2024	419,000	51,450	470,450
2025	423,000	44,118	467,118
2026-2030	2,098,000	109,829	2,207,829
	<u>\$ 4,217,000</u>	<u>404,898</u>	<u>4,621,898</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt (continued)**

A. Governmental Activities

Special Obligation Bonds, Series 2019 – In 2019, the City issued \$4,390,000 in special obligation bonds to be used to cover the costs for public improvements and repairs in the City. The bond is to be repaid over 20 years, maturing in 2041, and carries a variable interest rate of 3.00% to 4.00%. Payment on this bond will be made from general ad valorem tax collections.

Annual debt service requirements to maturity for these bonds payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 145,000	148,906	293,906
2022	150,000	144,482	294,482
2023	155,000	139,907	294,907
2024	160,000	135,182	295,182
2025	165,000	129,482	294,482
2026-2030	930,000	541,781	1,471,781
2031-2035	1,100,000	369,665	1,469,665
2036-2040	1,300,000	167,124	1,467,124
2041	285,000	4,988	289,988
	<u>\$ 4,390,000</u>	<u>1,781,517</u>	<u>6,171,517</u>

Capital Improvement Loan – In February 2019, the City received a \$763,087 capital improvement loan from the Mississippi Development Authority to be used to cover the costs associated with Allen Road. The bond is to be repaid over 18 years, maturing in 2036, and carries a fixed interest rate of 2.0%. Payment on this loan will be made from general ad valorem tax collections.

Annual debt service requirements to maturity for these bonds payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 33,597	12,727	46,324
2022	34,586	11,738	46,324
2023	35,278	11,046	46,324
2024	35,986	10,341	46,327
2025	36,703	9,621	46,324
2026-2030	194,823	36,797	231,620
2031-2035	215,412	16,208	231,620
2036	34,423	688	35,111
	<u>\$ 620,808</u>	<u>109,166</u>	<u>729,974</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt (continued)**

A. Governmental Activities

Capital Lease Obligations-Governmental Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Computer equipment	\$ 46,760
Mobile equipment	809,606
Pumper truck	448,599
Less: accumulated depreciation	(517,155)
Leased property under capital leases	<u>\$ 787,810</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 218,341	12,828	231,169
2022	121,381	6,912	128,293
2023	72,232	3,403	75,635
2024	35,616	2,241	37,857
2025	37,033	1,143	38,176
	<u>\$ 484,603</u>	<u>26,527</u>	<u>511,130</u>

B. Business-type Activities

Transactions for the year ended September 30, 2020 are summarized as follows:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2020</u>	<u>Due Within one Year</u>
Revenue Refunding Bonds	\$ 3,865,000	6,000,000	(140,000)	9,725,000	350,000
Special Obligation Bonds	2,670,000	-	(145,000)	2,525,000	150,000
Revolving Loans	3,506,143	-	(442,532)	3,063,611	452,955
Capital Leases	2,326,475	-	(212,123)	2,114,352	108,705
Compensated Absences	16,888	1,249	-	18,137	2,552
Total business-type activities	<u>\$ 12,384,506</u>	<u>6,001,249</u>	<u>(939,655)</u>	<u>17,446,100</u>	<u>1,064,212</u>

Water & Sewer Revenue Bonds, Series 2020 – In 2020, the City issued \$6,000,000 in revenue bonds. The bond is to be repaid over 20 years, maturing in 2038, and carries an average interest rate of 3.73%. Payments on this bond will be made from the net revenues of the Water and Sewer system operations.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt (continued)**

**B. Business-type Activities**

Annual debt service requirements to maturity for this bond payable is as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 350,000	389,664	739,664
2022	365,000	298,200	663,200
2023	380,000	284,756	664,756
2024	395,000	270,499	665,499
2025	410,000	255,556	665,556
2026-2030	2,300,000	1,037,693	3,337,693
2031-2035	2,525,000	600,462	3,125,462
2036-2038	3,000,000	236,475	3,236,475
	<u>\$ 9,725,000</u>	<u>3,373,305</u>	<u>13,098,305</u>

Special Obligation Bonds, Series 2013 – In 2013, the City issued \$3,500,000 in special obligation bonds to be used to cover the costs associated with Hurricane Katrina for public improvements and repairs in the City. The bond is to be repaid over 20 years, maturing in 2033, and carries a variable interest rate of 2.0% - 5.0%. Payment on this bond will be made from the net revenues from the Water and Sewer system operations.

Annual debt service requirements to maturity for this bond payable is as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 150,000	113,356	263,356
2022	155,000	108,856	263,856
2023	155,000	103,431	258,431
2024	170,000	97,813	267,813
2025	175,000	90,588	265,588
2026-2030	1,000,000	329,100	1,329,100
2031-2033	720,000	73,000	793,000
	<u>\$ 2,525,000</u>	<u>916,144</u>	<u>3,441,144</u>

Revolving Loans - The City's utility enterprise fund finances extensions and improvements to its system through note obligations, which are subordinate to the revenue bonds.

The utility currently has six state revolving loans, which enabled the City to provide sewer services in needed areas. The City executed these loan agreements with the State of Mississippi Environmental Quality for the purpose of improving the water distribution and sewer collection systems. The City entered into an agreement with the Mississippi State Tax Commission, allowing the Tax Commission to withhold \$43,424 from monthly sales tax revenues as payment for principal and interest on bonds beginning in fiscal year 2006.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt (continued)**

**B. Business-type Activities**

Annual debt service requirements to maturity for these loans payable are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 452,955	68,171	521,126
2022	463,647	52,079	515,726
2023	474,614	46,522	521,136
2024	485,864	35,261	521,125
2025	457,904	23,835	481,739
2026-2029	728,627	31,454	760,081
	<u>\$ 3,063,611</u>	<u>257,322</u>	<u>3,320,933</u>

Capital Lease Obligations-Business-type Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

<u>Classes of Property</u>	<u>Business-type Activities</u>
Water meter project	\$ 3,224,544
Less: accumulated depreciation	(451,435)
Leased property under capital leases	<u>\$ 2,773,109</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 108,705	35,020	143,725
2022	222,840	64,609	287,449
2023	230,283	57,166	287,449
2024	237,975	49,475	287,450
2025	245,924	41,526	287,450
2026-2029	1,068,625	81,175	1,149,800
	<u>\$ 2,114,352</u>	<u>328,971</u>	<u>2,443,323</u>

**C. Legal Debt Margin**

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2020, the amount of outstanding debt was equal to 7.7% of the latest property assessments.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 9 – Long-term Debt (continued)**

D. Compensated Absences

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund.

**Note 10 – Property and Sales Tax Revenue**

A. Property Tax Revenues

The City levies a tax on real and personal property based on the assessed value of property as compiled by the information extracted from the City assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1. Taxes on real and personal property are levied by the City Council at the first regular meeting in September.

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding ten years or a minimum of 20 mills. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2020 was 43.00 mills or \$43.00 per \$1,000 of assessed valuation.

Property taxes at the fund level are recorded as receivables and deferred inflow of resources at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gautier) back to the City monthly. General sales tax revenue reported in the General Fund was \$2,420,106.

**Note 11 – Tax Abatements**

In May of 2017, the City Council passed a Memorandum of Intent for a tax abatement to a developer through the Southern Mississippi Planning & Development District (SMPDD) Commercial Redevelopment Program. This program is subject to the requirements of GASB Statement #77. The program was authorized by the city council and is for a period of fifteen years. It provides the city remit 35% of the total verified sales tax increase to SMPDD, which in turn remits the proceeds to the developer. The payment to SMPDD for calendar year 2020 was 15,809, for calendar year 2019 was \$15,340 and for calendar year 2018 was \$15,899.



**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 12 – Commitments and Contingencies**

**A. Risk Management**

Claims and Judgments - The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Federal Grants - The city has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

Litigation - The City is potentially a party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the potential proceedings. However, the City's legal counsel believes that any ultimate liability resulting from these lawsuits, if any, will not have a material adverse effect on the financial condition of the City.

**B. Commitments**

Contract for Operations of Water and Wastewater Systems – The City renewed a contract with Clearwater Solutions, LLC for operation and maintenance of the City's water and sewer systems and utility billing of water and sewer systems. The fee under the contract is \$170,690/month for the year ended September 30, 2020. Annually, the amount shall be adjusted by the consumer price index by the U.S. Department of Labor Statistics. During the fiscal year ended September 30, 2020 the City paid a total of \$2,048,289 to Clearwater Solutions, LLC under this contract.

Contract for Operations of Solid Waste Collections – The City renewed a contract with Delta Sanitation of MS, LLC for the operations of solid waste collections. The fee under the contract is approximately \$105,104/month for the year ended September 30, 2020. This amount includes commercial and residential garbage collection. During the fiscal year ended September 30, 2020 the City paid a total of \$1,297,533 to Delta Sanitation of MS, LLC under this contract.

**Note 13 – Joint Ventures**

Joint Venture - The City of Gautier contracts with the Jackson County Utility Authority (the "Authority"), whereby the Authority picks up and disposes the City's solid waste and treats and disposes of the City's wastewater in compliance with water quality standards established by the Mississippi Air and Water Pollution Control law and the Federal Water Pollution Control Act.

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$2,410,308 for the year.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 13 – Joint Ventures (continued)**

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2020:

**CONDENSED STATEMENT OF NET POSITION**

<u>ASSETS</u>	
Current assets	\$ 4,968,561
Restricted assets	8,993,952
Capital assets, net	162,705,108
Total assets	<u>176,667,621</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>1,468,867</u>
<u>LIABILITIES</u>	
Current liabilities	6,397,651
Long-term liabilities	68,742,029
Total liabilities	<u>75,139,680</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>
<u>NET POSITION</u>	<u>\$ 102,996,808</u>

**CONDENSED STATEMENT OF REVENUES AND EXPENDITURES AND  
CHANGES IN NET POSITION**

Operating revenue	\$ 18,133,501
Operating expenses	(22,168,015)
Nonoperating revenues	1,387,663
Nonoperating expenditures	(1,600,578)
Change in net position	<u>\$ (4,247,429)</u>

The City's obligation to pay operational costs of the Authority is joint and several with the obligations of all other public agencies similarly contracting with the Authority. Whenever any public City shall default in the payment to the Authority of its respective payment, the Authority may adjust the contract sums of the remaining public agencies, which are not in default so as to increase their contract sums by a proportional amount.

A complete copy of the 2020 financial statements is on file at the administrative offices of the Authority which are located at 11100 Highway 57, Vancleave, Mississippi 39565, or may be obtained by calling (228) 762-0119.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2020

**Note 14 – Jointly Governed Organizations**

Jointly Governed Organization - On November 2, 1970, the City entered into an agreement with the Board of Trustees of the Jackson George Regional Library System, the City of Moss Point, City of Pascagoula, City of Ocean Springs, City of Lucedale, and the Board of Supervisors of Jackson County to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Gautier has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$121,494 to the Library for the year ended September 30, 2020.

**Note 15 – Worldwide Pandemic**

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the City is not estimable at this time.

**Note 16 – Subsequent Events**

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes.

Management of the City evaluated the activity of the City through September 29, 2021, (the date the financial statements were available to be issued) and determined the following noteworthy subsequent event.

In December 2020, the City issued \$2,579,000 in Taxable Combined Utility System Revenue Refunding Bonds, Series 2020. These bonds refunded Series 2013 Utility Bonds which had an outstanding principal balance of \$2,525,000. The interest rate on the new issue is 1.75% and has a maturity date of September 30, 2033.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**City of Gautier, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2020**

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	5,170,607	5,168,107	5,231,827	(2,500)	63,720
General sales tax	2,260,000	2,260,000	2,550,879	-	290,879
Fines and forfeitures	530,000	395,000	395,700	(135,000)	700
Licenses and permits	100,000	97,500	105,459	(2,500)	7,959
Intergovernmental	889,396	1,142,584	1,096,743	253,188	(45,841)
Franchise fees	148,000	148,000	149,539	-	1,539
Investment earnings	-	-	37,569	-	37,569
Miscellaneous	180,200	158,277	134,926	(21,923)	(23,351)
Total Revenues	9,278,203	9,369,468	9,702,642	91,265	333,174
Expenditures:					
General government:					
Personnel services	1,497,556	1,504,231	1,485,005	(6,675)	19,226
Supplies	53,250	69,250	40,075	(16,000)	29,175
Other services and charges	1,092,600	1,001,100	887,721	91,500	113,379
Capital outlay	43,100	58,860	58,822	(15,760)	38
Total general government	2,686,506	2,633,441	2,471,623	53,065	161,818
Public safety:					
Personnel services	5,502,671	5,484,871	4,954,250	17,800	530,621
Supplies	270,867	306,962	213,699	(36,095)	93,263
Other services and charges	277,028	277,028	254,046	-	22,982
Capital outlay	134,225	185,540	126,242	(51,315)	59,298
Total public safety	6,184,791	6,254,401	5,548,237	(69,610)	706,164
Public works:					
Personnel services	202,567	202,567	201,370	-	1,197
Supplies	93,800	93,800	31,686	-	62,114
Other services and charges	165,470	165,470	110,998	-	54,472
Capital outlay	35,000	35,000	12,563	-	22,437
Total public works	496,837	496,837	356,617	-	140,220
Culture and recreation					
Personnel services	373,733	374,243	367,517	(510)	6,726
Supplies	67,000	74,900	48,893	(7,900)	26,007
Other services and charges	89,500	89,500	54,860	-	34,640
Capital outlay	23,100	24,600	21,663	(1,500)	2,937
Total culture and recreation	553,333	563,243	492,933	(9,910)	70,310
Debt service	107,270	107,270	107,267	-	3
Total Expenditures	10,028,737	10,055,192	8,976,677	(26,455)	1,078,515
Excess (Deficiency) of Revenues					
Over Expenditures	(750,534)	(685,724)	725,965	64,810	1,411,689

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**City of Gautier, Mississippi**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund**  
**Budget to Actual - (Prepared on the Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2020**

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Other Financing Sources (Uses):					
Transfers in	1,022,478	1,022,478	1,022,478	-	-
Transfers out	(840,143)	(911,713)	(816,997)	(71,570)	94,716
Proceeds from loans	164,000	170,760	171,159	6,760	399
Total Other Financing Sources (Uses)	346,335	281,525	376,640	(64,810)	95,115
Net Change in Fund Balance - Budget	(404,199)	(404,199)	1,102,605	-	1,506,804

Net Change in fund balance - Budget-Cash Basis \$ 1,102,605

Revenues and Other Sources per Cash-basis Budget	11,245,522	
Additional accrued revenues	(349,243)	349,243
Revenues and Other Sources per Fund Financial Statements	10,896,279	
Expenditures and Other Uses per Cash-basis Budget	9,904,678	
Additional accrued expenses	(111,004)	(111,004)
Expenditures and Other Uses per Fund Financial Statement	9,793,674	
Net Change in fund balance - Fund Financials		\$ 1,340,844

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**City of Gautier, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2020

A. Budgetary Information.

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for capital outlay, election expense and emergency warrants.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

D. Budgetary Data

The procedures used by the City in establishing budget are mandated by Mississippi State law. A brief summary of the City's policies for recording budgetary data in the financial statements are as follows:

1. Prior to August 1, the Mayor submits to the Board of Alderman a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than September 15, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.
5. Budgets for the governmental and proprietary funds are adopted on a cash basis except for expenditures which include those paid within 30 days of the fiscal year end as required by state statute.

**City of Gautier, Mississippi**  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2020  
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.071%	0.072%	0.070%	0.070%	0.067%	0.067%
City's proportionate share of the net pension liability (asset)	\$ 13,751,937	12,666,221	11,643,082	11,636,376	11,967,873	10,356,879
City's covered payroll	\$ 4,730,149	5,048,760	4,516,635	4,502,222	4,269,283	4,199,035
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.73%	250.88%	257.78%	258.46%	280.33%	246.65%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.



**City of Gautier, Mississippi**  
Schedule of the City's Contributions  
Last 10 Fiscal Years\*  
For the Fiscal Year Ended September 30, 2020  
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 820,340	756,838	722,163	713,359	681,575	658,899
Contributions in relation to the contractually required contribution	<u>820,340</u>	<u>756,838</u>	<u>722,163</u>	<u>713,359</u>	<u>681,575</u>	<u>658,899</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 4,714,598	4,683,397	4,585,162	4,529,263	4,327,460	4,183,486
Contributions as a percentage of covered payroll	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**City of Gautier, Mississippi**  
Notes to the Required Supplementary Information – Pension Schedules  
For the Fiscal Year Ended September 30, 2020

Pension Schedules

***A. Changes in assumptions***

➤ 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

➤ 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

➤ 2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

➤ 2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**City of Gautier, Mississippi**  
Notes to the Required Supplementary Information – Pension Schedules  
For the Fiscal Year Ended September 30, 2020

***B. Changes in benefit provisions***

- 2016
  - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

***C. Methods and assumptions used in calculations of actuarially determined contributions***

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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## SUPPLEMENTAL INFORMATION

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**City of Gautier, Mississippi**  
**Schedule of the Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
US Department of Housing and Urban Development				
Passed through MS Development Authority				
CDBG-PF-2017 (Bemis Sewer Project)	14.228	1134-18-192-PF-01	\$ 140,727	-
Total U.S. Department of Agriculture			<u>140,727</u>	<u>-</u>
U.S. Department of Justice				
Passed through Mississippi Department of Public Safety				
HIDTA	16.592	G18GC003A	15,802	-
FBI Safe Street	16.592	19GCP540Z	16,473	-
FY 18 Bulletproof Vest	16.607	18BPV	3,809	-
FY 18 Tasers	16.738	18LB2101	3,615	-
Equitable Sharing Program	16.922	MS0300600	104,964	-
Total U.S. Department of Justice			<u>144,663</u>	<u>-</u>
US Department of Transportation				
Passed through MS Dept of Transportation				
Martin Bluff Road Improvements	20.205	STP-9194	960	-
Highway 57 Utility Relocation	20.205	STP-0066	383,264	-
Total U.S. Department of Transportation			<u>384,224</u>	<u>-</u>
US Department of The Treasury				
Passed through MS Development Authority				
Restore Act	21.015	20-00013	359,896	-
Passed through MS Emergency Management Agency				
COVID 19-Coronavirus Relief Fund	21.019		434,993	-
Total U.S. Department of The Treasury			<u>794,889</u>	<u>-</u>
U.S. Department of Homeland Security				
Customs and Border Protection TEOAFF-TFF	97.067	419LA-4350-DR-MS	1,129	-
Passed through MS Department of Public Safety				
State Homeland Security Grant Program	97.067	19LE193	41,000	-
Total U.S. Department of Homeland Security			<u>42,129</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,506,632</u>	<u>-</u>

**City of Gautier, Mississippi**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020

**Note 1 – General**

This schedule includes the federal award activity of the City of Gautier, Mississippi under programs of the federal government of the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of the City, it is not intended to and does not present the financial position, or changes in net assets of the City.

**Note 2 – Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified-accrual basis of accounting. Differences between the granting-agency basis of accounting and the basis of accounting used by the City in preparing its financial fund statements may occur.

**Note 3 – Federal Loans**

The City has the following federal loans outstanding as of September 30, 2020:

Program Title	CFDA Number	Current Year Expenditures	Unpaid Loan Balance	Original Loan Amount
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
DWI-H280114-02	66.458	-	178,019	422,610
DWI-H280114-01-02	66.458	-	366,418	470,475
SRF-C280879-02-2	66.458	-	908,723	1,760,448
SRF-C280879-01-3	66.458	-	416,049	1,288,485
DWI-H280092-01-3	66.458	-	525,860	1,344,987
SRF-C280754-01-3	66.458	-	668,542	1,865,320
Total federal loans		\$ -	\$ 3,063,611	\$ 7,152,325

**Note 4 – Indirect Cost Rate**

The City has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 5 – Subrecipients.**

No awards were passed through to subrecipients.

**City of Gautier, Mississippi**  
Schedule of Surety Bonds  
(Required by State of Mississippi)  
For the Fiscal Year Ended September 30, 2020

Position	Name	Amount
Mayor	Philip Torjusen	100,000
Councilman	Adam Colledge	100,000
Councilman	Mary Martin	100,000
Councilman	Cameron George	100,000
Councilman	Richard Jackson	100,000
Councilman	Casey Vaughan	100,000
Councilman	Charles Anderson	100,000
City Manager	Paula Yancey	50,000
City Clerk/Comptroller	Teresa Montgomery	50,000
Asst Comptroller	Tara Tapper	50,000
Executive Asst	Emily Cumbest	50,000
Acctg/Personnel Clerk	Lekeisha Hill	50,000
Acctg/Personnel Clerk	Leoquetta Reddix	50,000
Administrative Clerk	Cora Floyd	50,000
Administrative Clerk	Rachel Honea	50,000
Administrative Clerk	Addie Bang	50,000
Administrative Clerk	Barbara Logan	50,000
Administrative Clerk	Becky Priest	50,000
Purchasing Clerk	Sherry Farabee	50,000
Court Clerk	Michael Steward	50,000
Deputy Court Clerk	Bernadette Morrow	50,000
Deputy Court Clerk	Derika Fuller	50,000
Records Clerk	Tina Hansen	50,000
Police	Daniel Selover	25,000
Dispatcher	Katherine Clifton	50,000
Dispatcher	Cameron Thigpen	50,000
Dispatcher	Susan Powell	50,000
Dispatcher	Jameika Henderson	50,000
Dispatcher	Kianna Henderson	50,000
Dispatcher	Timothy Werner	50,000
Dispatcher	Brittany Worth	50,000
Dispatcher	Chasity Johnston	50,000
Dispatcher	Traci Webb	50,000
Park Attendant	Freda Tolar	50,000
Park Attendant	Dixie Halovorsen	50,000
Park Attendant	Vacant	50,000
Utility Services	Kim Sheppard	50,000
Utility Services	Darlene Brown	50,000
Utility Services	Debra Holmes	50,000
Utility Services	Shana Lane	50,000
Utility Services	Karen Kihyet	50,000
Utility Services	Summer Devine	50,000
Utility Services	Lauren Eshliman	50,000

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## SPECIAL REPORTS

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA  
SHARI L. BREEDEN, CPA  
ROBERT D. FOREMAN, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-8501  
FAX NUMBER (228) 863-8544  
EMAIL: OFFICE@WWHGCPCOM

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and  
City Council of  
City of Gautier, Mississippi

We have audited, in accordance with the 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, the 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 (the "City") as and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

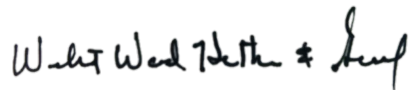
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gautier's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Wright Ward Hatten & Guel".

Wright, Ward, Hatten and Guel  
September 29, 2021

# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®, CFE  
SANDE W. HENTGES, CPA, CFE

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA  
SHARI L. BREEDEN, CPA  
ROBERT D. FOREMAN, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-8501  
FAX NUMBER (228) 863-8544  
EMAIL: OFFICE@WWHGCPA.COM

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and  
City Council of  
City of Gautier, Mississippi

### Report on Compliance for Each Major Federal Program

We have audited City of Gautier, Mississippi's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each of the Other Major Federal Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

### **Report on Internal Control over Compliance**

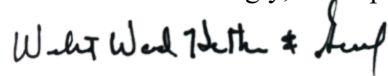
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wright, Ward, Hatten and Guel  
September 29, 2021

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and  
City Council of  
City of Gautier, Mississippi

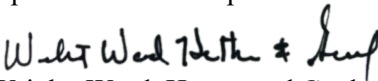
In planning and performing our audit of the financial statements of the City of Gautier, Mississippi for the year ended September 30, 2020, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Gautier, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 29, 2021, on the financial statements of the City of Gautier, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements did not result in any material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Wright, Ward, Hatten and Guel  
September 29, 2021

City of Gautier, Mississippi  
Schedule of Findings and Questioned Costs  
September 30, 2020

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements:       |            |
|    | Governmental activities  | Unmodified |
|    | Business-type activities   | Unmodified |
|    | General and other major funds                                      | Unmodified |
|    | Aggregate remaining fund information                               | Unmodified |
| 2. | Internal control over financial reporting:                         |            |
|    | a. Material weaknesses identified?                                 | No         |
|    | b. Significant deficiencies identified?<br>be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements noted?          | No         |

Federal Awards:

- |                       |   |                       |   |        |  |        |  |  |
|-----------------------|---|-----------------------|---|--------|--|--------|--|--|
| 4.                    | Type of auditor's report issued on compliance for major programs:   | Unmodified            |   |        |  |        |  |  |
| 5.                    | Internal control over major programs:   |                       |   |        |  |        |  |  |
|                       | a. Material weaknesses identified?  | No                    |   |        |  |        |  |  |
|                       | b. Significant deficiencies identified?   | None Reported         |   |        |  |        |  |  |
| 6.                    | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  | None                  |   |        |  |        |  |  |
| 7.                    | Federal programs identified as major:   |                       |   |        |  |        |  |  |
|                       | <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>CFDA Number(s)</u></td> <td style="text-align: center;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="text-align: center;">20.205</td> <td>U.S. Department of Transportation<br/>Highway Planning and Construction</td> </tr> <tr> <td style="text-align: center;">21.015</td> <td>U.S. Department of Treasury<br/>Restore Act</td> </tr> </table> | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | 20.205 | U.S. Department of Transportation<br>Highway Planning and Construction | 21.015 | U.S. Department of Treasury<br>Restore Act |  |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>   |                       |   |        |  |        |  |  |
| 20.205                | U.S. Department of Transportation<br>Highway Planning and Construction  |                       |   |        |  |        |  |  |
| 21.015                | U.S. Department of Treasury<br>Restore Act  |                       |   |        |  |        |  |  |
| 8.                    | Dollar threshold used to distinguish between type A and type B programs:  | \$ 750,000            |   |        |  |        |  |  |
| 9.                    | Auditee qualified as low-risk auditee?  | No                    |   |        |  |        |  |  |
| 10.                   | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)?   | No                    |   |        |  |        |  |  |

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted during the fiscal year ended September 30, 2020.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings noted during the fiscal year ended September 30, 2020.