

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF GAUTIER, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2021

CITY OF GAUTIER, MISSISSIPPI
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For the Year Ended September 30, 2021

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INTRODUCTORY SECTION

ELECTED OFFICIALS
As of September 30, 2021



Casey Vaughan
Mayor



Adam Colledge
Councilwoman At-Large



Cameron B. George
Councilman, Ward 1



Richard "DJ" Jackson
Councilman, Ward 2



Gordon Gollott
Councilman, Ward 3



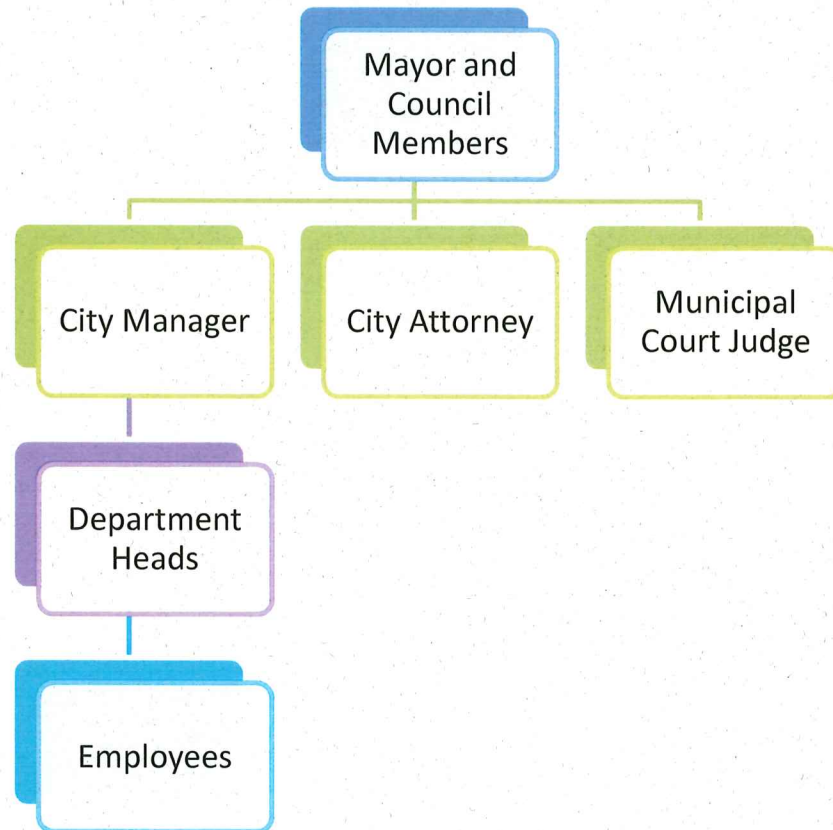
Charles "Rusty" Anderson
Councilman, Ward 4



Dante Elbin
Councilman, Ward 5



ORGANIZATION CHART
As of September 30, 2021



FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council of
City of Gautier, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major fund, and the aggregate remaining fund information of the City of Gautier as of and for the year ended September 30, 2021, 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 of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, as of September 30, 2021, 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 on pages 4-10, budgetary comparison information on pages 49-51, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 52-55, 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'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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

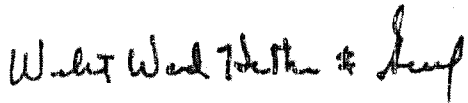
The Introductory Section and the Schedule of Surety Bonds for City Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, 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 July 28, 2022, 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.



Wright, Ward, Hatten and Guel
July 28, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021



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, 2021 and 2020. 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, 2021, is 18,996. The median household income is \$51,382 with over 89% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position increased \$6,901,472 or 13% from 2020 which increased \$1,529,108. This increase is primarily due to an increase in federal grant revenues in 2021.
- General revenues amounted to of \$9,666,563 or 35% of total revenues. This amount increased \$59,032 from 2020. Program revenues amounted to \$17,577,723 or 65% of total revenues, which increased \$4,342,651 from 2020. This increase was mostly due to the less federal revenues received for capital projects.
- Capital assets, net of accumulated depreciation, increased by \$2,059,043 in the governmental activities and increased \$1,277,575 in the business-type activities during 2021. The increase in governmental capital assets is primarily a result of additional capital projects. The increase in business-type activities is primarily a result of additional projects reduced by annual depreciation.
- Long-term debt decreased by \$280,900 in the governmental activities primarily due to principal payments and refunding of bonds. This amount also includes a \$32,587 increase in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt decreased by \$714,662 in the business-type activities. The City's total debt outstanding at September 30, 2021 is \$26,628,446 which includes the liability for compensated absences of \$452,175. The net pension liability as of September 30, 2021 was \$10,565,649.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$10,078,783 in revenues, which shows an increase of \$141,738 from 2020 and \$9,564,889 in expenditures, a increase of \$477,208 from 2020, in the current year. The General Fund's fund balance increased \$543,688.

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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 2021?" 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 2021 compared to 2020.

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021

TABLE 1
Condensed Statement of Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ 12,773,253	17,670,860	4,692,871	14,718,948	17,466,124	32,389,808
Non-current assets	36,946,421	24,048,755	49,164,064	40,257,135	86,110,485	64,305,890
Total Assets	49,719,674	41,719,615	53,856,935	54,976,083	103,576,609	96,695,698
Deferred Outflows	1,227,606	1,038,226	78,358	66,260	1,305,964	1,104,486
Liabilities						
Current liabilities	2,566,317	545,189	1,571,888	1,132,042	4,138,205	1,677,231
Non-current liabilities	19,233,320	23,379,768	16,837,419	17,996,177	36,070,739	41,375,945
Total Liabilities	21,799,637	23,924,957	18,409,307	19,128,219	40,208,944	43,053,176
Deferred Inflows	7,807,651	4,950,816	356,075	8,137	8,163,726	4,958,953
Net Position						
Investment in capital assets, net of related debt	18,677,598	14,269,794	30,206,621	22,829,172	48,884,219	37,098,966
Restricted net assets	8,330,913	6,209,769	1,760,962	7,310,938	10,091,875	13,520,707
Unrestricted	(5,668,519)	(6,597,495)	3,202,328	5,765,877	(2,466,191)	(831,618)
Total Net Position	\$ 21,339,992	13,882,068	35,169,911	35,905,987	56,509,903	49,788,055

TABLE 2
Condensed Statement of Activities
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues	\$ 6,806,105	1,779,476	10,771,618	11,455,596	17,577,723	13,235,072
General revenues	9,327,581	9,217,744	338,982	389,787	9,666,563	9,607,531
Total revenues	16,133,686	10,997,220	11,110,600	11,845,383	27,244,286	22,842,603
Expenses:						
General government	2,416,294	2,742,552	-	-	2,416,294	2,742,552
Public safety	5,773,179	5,960,451	-	-	5,773,179	5,960,451
Public works	807,825	651,276	-	-	807,825	651,276
Culture and recreation	967,973	564,872	-	-	967,973	564,872
Interest on long-term debt	259,009	458,761	-	-	259,009	458,761
Water and sewer	-	-	8,677,899	9,638,050	8,677,899	9,638,050
Solid waste	-	-	1,440,635	1,297,533	1,440,635	1,297,533
Total expenses	10,224,280	10,377,912	10,118,534	10,935,583	20,342,814	21,313,495
Transfers	1,691,242	1,022,478	(1,691,242)	(1,022,478)	-	-
Increase (Decrease) in net assets	7,600,648	1,641,786	(699,176)	(112,678)	6,901,472	1,529,108
Net Position - beginning, restated	13,739,344	12,240,282	35,869,087	36,018,665	49,608,431	48,258,947
Net Position - ending	\$ 21,339,992	13,882,068	35,169,911	35,905,987	56,509,903	49,788,055

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2021

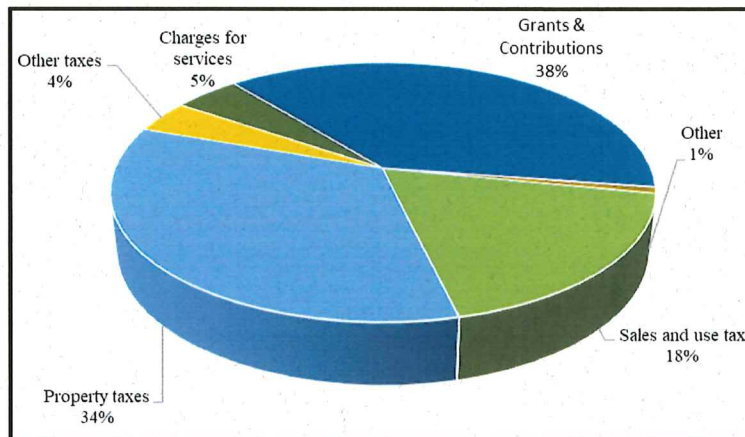
Governmental Activities

Total net position increased \$7,600,648 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 \$9,327,581 or 58% of total revenues. This amount increased \$109,837 from 2020 primarily due to a new general funding source from use taxes. Program revenues amounted to \$6,806,105 or 42% of total revenues, which increased \$5,026,629 from 2020 primarily due to additional grant revenue.

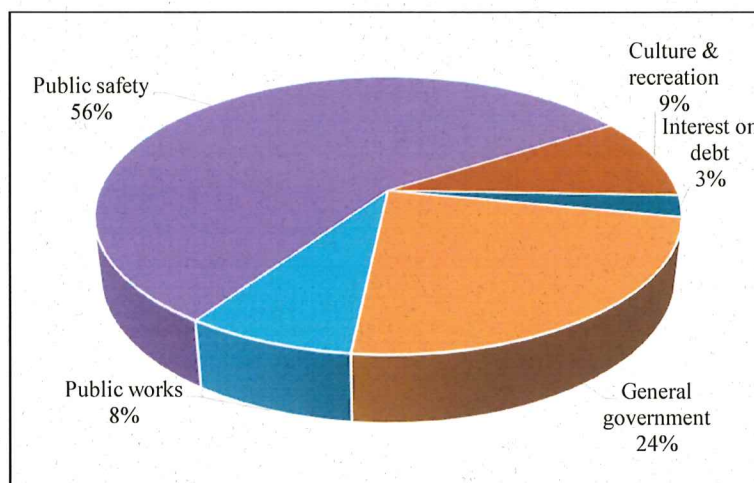
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

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, 2021

Business-type activities

Net position for the business-type activities was \$35,169,911 a decrease of \$736,076. Capital grant revenue increased due to on-going construction in progress funded by grants.

Restricted net position decreased significantly during 2021 primarily due to spent cash previously restricted for capital improvements.

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, 2021

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 2021, 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, 2021 and 2020.

TABLE 3
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,228,137	6,228,137	1,215,870	1,215,870	7,444,007	7,444,007
Construction in progress	3,327,949	985,831	3,086,297	517,115	6,414,246	1,502,946
Buildings & improvements	2,398,963	2,459,176	-	-	2,398,963	2,459,176
Infrastructure	13,048,241	13,178,784	34,221,498	35,364,488	47,269,739	48,543,272
Machinery & equipment	471,909	409,017	313,175	386,553	785,084	795,570
Equipment under capital leases	632,599	787,810	2,697,870	2,773,109	3,330,469	3,560,919
Total	<u>\$ 26,107,798</u>	<u>24,048,755</u>	<u>41,534,710</u>	<u>40,257,135</u>	<u>67,642,508</u>	<u>64,305,890</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, 2021

General Long-term Obligations

At September 30, 2021, 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, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 3,804,000	4,217,000	-	-	3,804,000	4,217,000
Limited Obligation Bonds	4,245,000	4,390,000	-	-	4,245,000	4,390,000
Revenue Refunding Bonds	-	-	11,895,000	9,725,000	11,895,000	9,725,000
Special Obligation Bonds	-	-	310,000	2,525,000	310,000	2,525,000
Capital Improvement Loans	1,086,902	620,808	-	-	1,086,902	620,808
Revolving Loans	-	-	2,610,655	3,063,611	2,610,655	3,063,611
Capital Leases	266,262	484,603	1,895,142	2,114,352	2,161,404	2,598,955
Add: Bond Premium*	63,310	66,550	-	-	63,310	66,550
Compensated Absences	431,534	398,947	20,641	18,137	452,175	417,084
Total	<u>\$ 9,897,008</u>	<u>10,177,908</u>	<u>16,731,438</u>	<u>17,446,100</u>	<u>26,628,446</u>	<u>27,624,008</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

FINANCIAL STATEMENTS

City of Gautier, Mississippi
Statement of Net Position
September 30, 2021

	Governmental	Business-Type	Total
ASSETS			
Current Assets			
Cash	\$ 6,039,479	3,100,283	9,139,762
Receivables	6,622,788	1,406,922	8,029,710
Prepaid	110,986	185,666	296,652
Total Current Assets	<u>12,773,253</u>	<u>4,692,871</u>	<u>17,466,124</u>
Noncurrent Assets			
Restricted cash	10,838,623	7,629,354	18,467,977
Capital assets			
Land and construction in progress	9,556,086	4,302,167	13,858,253
Other capital assets (net of accumulated depreciation)	16,551,712	37,232,543	53,784,255
Total Noncurrent Assets	<u>36,946,421</u>	<u>49,164,064</u>	<u>86,110,485</u>
Total Assets	<u>49,719,674</u>	<u>53,856,935</u>	<u>103,576,609</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	1,227,606	78,358	1,305,964
Total Deferred Outflow of Resources	<u>1,227,606</u>	<u>78,358</u>	<u>1,305,964</u>
LIABILITIES			
Current Liabilities:			
Claims payable	1,160,256	214,973	1,375,229
Wages payable	401,786	16,309	418,095
Accrued interest payable	35,616	150,197	185,813
Retainage payable	161,948	49,800	211,748
Capital debt			
Bonds payable	575,000	560,000	1,135,000
Notes payable	61,966	463,645	525,611
Capital leases payable	121,381	112,335	233,716
Non-capital debt			
Compensated absences payable	48,364	4,629	52,993
Total Current Liabilities	<u>2,566,317</u>	<u>1,571,888</u>	<u>4,138,205</u>
Noncurrent Liabilities:			
Capital debt:			
Bonds payable	7,537,310	11,645,000	19,182,310
Notes payable	1,024,936	2,147,010	3,171,946
Capital leases payable	144,881	1,782,807	1,927,688
Non-capital debt			
Compensated absences payable	383,170	16,012	399,182
Customer deposits	-	823,964	823,964
Net pension liability	10,143,023	422,626	10,565,649
Total Noncurrent Liabilities	<u>19,233,320</u>	<u>16,837,419</u>	<u>36,070,739</u>
Total Liabilities	<u>21,799,637</u>	<u>18,409,307</u>	<u>40,208,944</u>
DEFERRED INFLOW OF RESOURCES			
Property tax for future reporting period	4,880,745	-	4,880,745
Deferred amount on pension	2,926,906	356,075	3,282,981
Total Deferred Inflows of Resources	<u>7,807,651</u>	<u>356,075</u>	<u>8,163,726</u>
NET POSITION			
Net investment in capital assets	18,677,598	30,206,621	48,884,219
Restricted Net Position:			
Non-expendable	115,831	185,666	301,497
Expendable:			
Restricted for debt service	36,451	1,575,296	1,611,747
Restricted for grant/bond purposes	8,178,631	-	8,178,631
Unrestricted	(5,668,519)	3,202,328	(2,466,191)
Total Net Position	<u>\$ 21,339,992</u>	<u>35,169,911</u>	<u>56,509,903</u>

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, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,416,294	184,190	-	3,934,778	1,702,674		1,702,674
Public safety	5,773,179	400,249	351,156	14,091	(5,007,683)		(5,007,683)
Public works	807,825	-	-	736,133	(71,692)		(71,692)
Culture, recreation and community services	967,973	169,053	140,702	875,753	217,535		217,535
Interest on long-term debt	259,009	-	-	-	(259,009)		(259,009)
Total governmental activities	10,224,280	753,492	491,858	5,560,755	(3,418,175)		(3,418,175)
Business-type activities:							
Water and sewer	8,677,899	8,769,097	-	499,256		590,454	590,454
Solid waste	1,440,635	1,503,265	-	-		62,630	62,630
Total business-type activities	10,118,534	10,272,362	-	499,256		653,084	653,084
Total government	\$ 20,342,814	11,025,854	491,858	6,060,011		653,084	(2,765,091)
General Revenues:							
Taxes:							
		Property taxes, general			4,037,095	-	4,037,095
		Property taxes, debt service			972,448	-	972,448
		Property taxes, community support			119,894	-	119,894
		Property taxes, in lieu			363,255	-	363,255
		General sales and use taxes			2,938,275	-	2,938,275
		Road and bridge privilege taxes			533,777	-	533,777
		Franchise taxes			118,179	-	118,179
		Grants and contributions not restricted to a special purpose			124,917	-	124,917
		Unrestricted investment earnings			25,269	22,852	48,121
		Miscellaneous			94,472	316,130	410,602
		Total general revenues			9,327,581	338,982	9,666,563
		Transfers			1,691,242	(1,691,242)	-
		Total general revenues and transfers			11,018,823	(1,352,260)	9,666,563
		Changes in net position			7,600,648	(699,176)	6,901,472
		Net position - beginning (restated)			13,739,344	35,869,087	49,608,431
		Net position - ending			\$ 21,339,992	35,169,911	56,509,903

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

City of Gautier, Mississippi
Balance Sheet – Governmental Funds
September 30, 2021

	Major Funds			
	General	Town Center Retail Dev Complex Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund		
ASSETS				
Cash	\$ 5,315,819	2,001,442	9,005,490	16,322,751
Receivables:				
Property tax	4,839,524	-	116,967	4,956,491
Sales tax	225,441	-	-	225,441
Franchise taxes	134,593	-	-	134,593
Intergovernmental	178,062	-	34,963	213,025
Court fines & fees	736,667	-	-	736,667
Due from other funds	88,980	-	-	88,980
Total Assets	11,519,086	2,001,442	9,157,420	22,677,948
LIABILITIES				
Claims payable	383,201	-	595,895	979,096
Wages payable	401,786	-	-	401,786
Retainage payable	-	-	161,948	161,948
Due to other funds	-	-	88,980	88,980
Total Liabilities	784,987	-	846,823	1,631,810
DEFERRED INFLOWS OF RESOURCES				
Property taxes for future reporting period	4,767,239	-	113,506	4,880,745
Unavailable revenue - fines	736,667	-	-	736,667
Total Deferred Inflows of Resources	5,503,906	-	113,506	5,617,412
FUND BALANCES				
Non-spendable				
Unemployment compensation	4,845	-	-	4,845
Restricted:				
Grant/bond purposes	-	2,001,442	8,110,410	10,111,852
Committed:				
Community support	-	-	86,681	86,681
Assigned:				
Emergency travel fund	1,144	-	-	1,144
Unassigned	5,224,204	-	-	5,224,204
Total Fund Balances	5,230,193	2,001,442	8,197,091	15,428,726
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,519,086	2,001,442	9,157,420	22,677,948

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, 2021

Total governmental funds balance		\$ 15,428,726
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	\$ 31,960,971	
Less: accumulated depreciation	<u>(5,853,173)</u>	26,107,798
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)	\$ (8,112,310)	
Notes payable	(1,086,902)	
Capital leases payable	(266,262)	
Compensated absences	<u>(431,534)</u>	(9,897,008)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 736,667</u>	736,667
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		(10,143,023)
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	\$ 1,227,606	
Deferred inflows of resources related to pensions	<u>(2,926,906)</u>	(1,699,300)
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	\$ 1,022,908	
Estimated claims payable	<u>(181,160)</u>	841,748
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(35,616)</u>
Net position of governmental activities		<u>\$ 21,339,992</u>

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, 2021

	Major Funds			
	General	Town Center Retail Dev Complex	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
Revenues				
Property taxes	\$ 5,372,798	-	119,894	5,492,692
General sales and use taxes	2,507,783	-	-	2,507,783
Franchise fees	118,179	-	-	118,179
Licenses and permit fees	184,190	-	-	184,190
Intergovernmental	1,449,202	1,500,000	4,187,110	7,136,312
Charges for services	29,176	-	155,213	184,389
Fines and forfeitures	346,265	-	-	346,265
Investment earnings	13,118	1,281	10,178	24,577
Miscellaneous	58,072	-	-	58,072
Total Revenues	10,078,783	1,501,281	4,472,395	16,052,459
Expenditures				
General government	2,474,756	-	-	2,474,756
Public safety	5,799,360	-	145,703	5,945,063
Public works	566,746	-	11,087	577,833
Culture & recreation	563,112	-	302,312	865,424
Capital outlay	32,836	40,049	2,676,367	2,749,252
Debt service:				
Principal	117,849	-	692,398	810,247
Interest and bond issue costs	10,230	5,790	242,884	258,904
Total Expenditures	9,564,889	45,839	4,070,751	13,681,479
Excess (Deficiency) of Revenues Over Expenditures	513,894	1,455,442	401,644	2,370,980
Other Financing Sources (Uses)				
Proceeds from loans	-	500,000	-	500,000
Insurance proceeds	35,280	-	9,453	44,733
Transfers in	870,793	46,000	1,655,682	2,572,475
Transfers out	(876,279)	-	(4,954)	(881,233)
Total Other Financing Sources (Uses)	29,794	546,000	1,660,181	2,235,975
Net changes in fund balances	543,688	2,001,442	2,061,825	4,606,955
Fund balances - beginning (restated)	4,686,505	-	6,135,266	10,821,771
Fund balances - ending	\$ 5,230,193	2,001,442	8,197,091	15,428,726

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, 2021

Net Change in Fund Balances - total governmental funds

\$ 4,606,955

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	\$	2,749,252		
Depreciation		<u>(687,595)</u>		2,061,657

In the Statement of Activities, only gains and losses from the sale/disposal of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$2,614.

(2,614)

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 loan				(500,000)
Debt retirement				810,247

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.

35,804

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				448,798
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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				(3,345)
Amortization of bond premium				3,240
Compensated absences				(32,587)

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

172,493

Change in net position of governmental activities

\$ 7,600,648

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, 2021

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total	Self Insurance Fund
ASSETS				
Current Assets				
Cash	\$ 3,012,205	88,078	3,100,283	555,351
Receivables:				
Customer accounts, net	1,139,366	120,246	1,259,612	-
Other receivables	147,310	-	147,310	356,571
Due from other funds	-	134,207	134,207	-
Prepaid interest and insurance	185,666	-	185,666	110,986
Total Current Assets	4,484,547	342,531	4,827,078	1,022,908
Noncurrent Assets				
Restricted cash	7,629,354	-	7,629,354	-
Capital assets				
Land and construction in progress	4,302,167	-	4,302,167	-
Other capital assets, net	37,228,849	3,694	37,232,543	-
Total Noncurrent Assets	49,160,370	3,694	49,164,064	-
Total Assets	53,644,917	346,225	53,991,142	1,022,908
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	78,358	-	78,358	-
Total Deferred Inflows of Resources	78,358	-	78,358	-
LIABILITIES				
Current Liabilities				
Claims and wages payable	231,282	-	231,282	181,160
Retainage payable	49,800	-	49,800	-
Accrued interest	150,197	-	150,197	-
Due to other funds	134,207	-	134,207	-
Capital debt:				
Bonds payable	560,000	-	560,000	-
Notes payable	463,645	-	463,645	-
Capital leases payable	112,335	-	112,335	-
Non-capital debt:				
Compensated absences payable	4,629	-	4,629	-
Total Current Liabilities	1,706,095	-	1,706,095	181,160
Noncurrent Liabilities				
Capital debt:				
Bonds payable	11,645,000	-	11,645,000	-
Notes payable	2,147,010	-	2,147,010	-
Capital leases payable	1,782,807	-	1,782,807	-
Non-capital debt:				
Compensated absences payable	16,012	-	16,012	-
Customer deposits	823,964	-	823,964	-
Net pension liability	422,626	-	422,626	-
Total Noncurrent Liabilities	16,837,419	-	16,837,419	-
Total Liabilities	18,543,514	-	18,543,514	181,160
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	356,075	-	356,075	-
Total Deferred Inflows of Resources	356,075	-	356,075	-
NET POSITION				
Net investment in capital assets	30,202,927	3,694	30,206,621	-
Restricted Net Position:				
Non-expendable	185,666	-	185,666	110,986
Restricted for debt service	1,575,296	-	1,575,296	-
Unrestricted	2,859,797	342,531	3,202,328	730,762
Total Net Position	\$ 34,823,686	346,225	35,169,911	841,748

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, 2021

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Operating revenues				
Charges for services	\$ 8,769,097	1,503,265	10,272,362	-
Employee contributions	-	-	-	1,019,655
Employer contributions	-	-	-	200,000
Insurance claim reimbursements	-	-	-	797,395
Miscellaneous operating revenues	316,130	-	316,130	160
Total operating revenues	<u>9,085,227</u>	<u>1,503,265</u>	<u>10,588,492</u>	<u>2,017,210</u>
Operating Expenses:				
Personnel services	676,767	-	676,767	-
Wastewater treatment	2,825,676	-	2,825,676	-
Privatization costs	2,048,289	-	2,048,289	-
Waste collection and disposal	-	1,440,635	1,440,635	-
Supplies	219,570	-	219,570	-
Maintenance and repairs	210,719	-	210,719	-
Other contractual services and charges	633,170	-	633,170	413,692
Claims and estimate changes	-	-	-	1,431,715
Depreciation	1,291,607	-	1,291,607	-
Total operating expenses	<u>7,905,798</u>	<u>1,440,635</u>	<u>9,346,433</u>	<u>1,845,407</u>
Operating income (loss)	<u>1,179,429</u>	<u>62,630</u>	<u>1,242,059</u>	<u>171,803</u>
Non-operating Revenues (Expenses)				
Interest and investment revenue	22,852	-	22,852	690
Interest expense and bond issue costs	(772,101)	-	(772,101)	-
Grant revenue	499,256	-	499,256	-
Transfers out	(1,529,403)	(161,839)	(1,691,242)	-
Total non-operating Revenues (Expenses)	<u>(1,779,396)</u>	<u>(161,839)</u>	<u>(1,941,235)</u>	<u>690</u>
Change in net position	(599,967)	(99,209)	(699,176)	172,493
Net position - beginning (restated)	<u>35,423,653</u>	<u>445,434</u>	<u>35,869,087</u>	<u>669,255</u>
Net position - ending	\$ <u><u>34,823,686</u></u>	<u><u>346,225</u></u>	<u><u>35,169,911</u></u>	<u><u>841,748</u></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, 2021

	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	\$ 8,837,130	1,593,815	10,430,945	-
Cash received for premiums	-	-	-	1,219,655
Other operating receipts	316,130	-	316,130	571,308
Cash paid to employees	(461,456)	-	(461,456)	-
Cash paid to suppliers	(219,570)	-	(219,570)	-
Cash paid to contractors	(5,665,509)	(1,440,635)	(7,106,144)	-
Cash paid for judgements and claims	-	-	-	(1,560,852)
Cash paid for administrative services	-	-	-	(378,041)
Net cash provided by (used in) operating activities	2,806,725	153,180	2,959,905	(147,930)
Cash Flows From Non-Capital Financing Activities				
Grant revenues	468,664	-	468,664	-
Advances from (to) other funds	(1,506,384)	(169,862)	(1,676,246)	-
Net cash flows provided by (used in) non-capital financing activities	(1,037,720)	(169,862)	(1,207,582)	-
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(2,571,185)	-	(2,571,185)	-
Issuance of new debt	2,579,000	-	2,579,000	-
Repayment of debt	(3,296,166)	-	(3,296,166)	-
Interest and amortization on debt	(937,941)	-	(937,941)	-
Net cash provided by (used in) capital and related financing activities	(4,226,292)	-	(4,226,292)	-
Cash Flows From Investing Activities				
Interest received	22,852	-	22,852	690
Net cash flows provided by (used in) investing activities	22,852	-	22,852	690
Net increase (decrease) in cash	(2,434,435)	(16,682)	(2,451,117)	(147,240)
Cash - October 1	13,075,994	104,760	13,180,754	702,591
Cash - September 30	\$ 10,641,559	88,078	10,729,637	555,351

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

City of Gautier, Mississippi
Statement Cash Flows
Proprietary Funds (Continued)
September 30, 2021

	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)	\$ 1,179,429	62,630	1,242,059	171,803
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,291,607	-	1,291,607	-
(Increase) decrease in assets:				
Accounts receivable	21,421	90,550	111,971	(226,247)
Prepaid insurance	-	-	-	(110,986)
Customer deposits	46,612	-	46,612	-
Increase (decrease) in liabilities:				
Claims payable	2,545	-	2,545	17,500
Wages payable	4,418	-	4,418	-
Retainage payable	49,800	-	49,800	-
Compensated absences	2,504	-	2,504	-
Pension liabilities and deferrals	208,389	-	208,389	-
Net cash provided by (used in) operating activities	\$ 2,806,725	153,180	2,959,905	(147,930)

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

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 City has been determined to be a joint venture of the participating agencies. See Note 15 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, 2021

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, 2021

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.

Town Center Retail Dev Complex Fund - This fund has been established to account for the development of the Singing River Mall Property.

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, 2021

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 City 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". 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".

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

I. Restricted Assets

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first. Restricted Assets in the Governmental Activities represents the amounts for cash in accordance with GASB No. 62 which requires cash amounts designated for disbursement in the acquisition or construction of non-current assets designated as non-current.

J. 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, 2021, 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
Buildings	50,000	40 years	20%
Improvements/Infrastructure	25,000	20 years	20%
Machinery & equipment	5,000	5-10 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, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

K. 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.

L. 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.

M. 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, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

N. 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.

O. 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, 2021

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.

P. 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."

Q. 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.

R. 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, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

S. 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.

T. Changes in Accounting Standards

Effective for fiscal year 2021 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for reporting periods beginning after December 15, 2021.

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 \$27,607,739 with city's total deposits with financial institutions at September 30, 2021. The bank balance was \$28,127,371. Of this amount \$9,139,762 is for current operations, \$16,035,665 set is for acquisition on non-current assets, \$857,016 is restricted for customer deposits and \$1,575,296 is restricted 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, 2021

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, 2021, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 75,746
For future reporting period	4,880,745
Total property taxes receivable	<u>4,956,491</u>
Intergovernmental receivable:	
Sales taxes	225,441
Franchise taxes	134,593
County road taxes	20,123
State grants	192,902
Total intergovernmental	<u>573,059</u>
Court fines receivable	14,733,333
Less: allowance for doubtful accounts	<u>(13,996,666)</u>
Total court fines receivable, net	<u>736,667</u>
Self Insurance Fund	
Insurance rebates receivable	356,571
Total receivable - governmental activities	<u>\$ 6,622,788</u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2021, consisted of the following:

Intergovernmental receivable:	
Federal grants	58,360
State grants	88,950
Total intergovernmental	<u>147,310</u>
Customer accounts receivable:	
Customer utility charges (billed)	2,902,929
Customer accounts, earned but unbilled	435,235
Less: allowance for doubtful accounts	<u>(2,078,552)</u>
Total customer accounts receivable, net	<u>1,259,612</u>
Total receivable - business-type activities	<u>\$ 1,406,922</u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$1,938,084 at September 30, 2021 has been provided in the Water and Sewer Enterprise Fund and \$140,468 has been provided in the Solid Waste Enterprise Fund for estimated uncollectible utility charges for a total of \$2,078,552.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2021, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	<u>\$ 1,691,242</u>

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

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.

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 88,980
Solid Waste Fund	Water & Sewer Fund	134,207
		<u>\$ 223,187</u>

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.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 4,954
General Fund	Water & Sewer Fund	704,000
General Fund	Solid Waste Fund	161,839
Other Governmental Funds	General Fund	876,279
Other Governmental Funds	Water & Sewer Fund	825,403
		<u>\$ 2,572,475</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Adjustments/ Sales	Balance 9/30/2021
Capital assets not being Depreciated:				
Land	\$ 6,228,137	-	-	6,228,137
Construction in Progress	985,831	2,584,332	(242,214)	3,327,949
Total capital assets not being depreciated	<u>7,213,968</u>	<u>2,584,332</u>	<u>(242,214)</u>	<u>9,556,086</u>
Capital assets being depreciated:				
Buildings & Improvements	3,147,307	-	-	3,147,307
Infrastructure	15,944,476	-	242,214	16,186,690
Machinery & Equipment	1,625,315	164,920	(24,312)	1,765,923
Equipment under Capital Leases	1,304,965	-	-	1,304,965
Total capital assets being depreciated	<u>22,022,063</u>	<u>164,920</u>	<u>217,902</u>	<u>22,404,885</u>
Less accumulated depreciation for:				
Buildings & improvements	688,131	60,213	-	748,344
Infrastructure	2,765,692	372,757	-	3,138,449
Machinery & Equipment	1,216,298	99,414	(21,698)	1,294,014
Equipment under Capital Leases	517,155	155,211	-	672,366
Total accumulated depreciation	<u>5,187,276</u>	<u>687,595</u>	<u>(21,698)</u>	<u>5,853,173</u>
Total Capital assets being depreciated, net	<u>16,834,787</u>	<u>(522,675)</u>	<u>239,600</u>	<u>16,551,712</u>
Total governmental activities capital assets, net	<u>\$ 24,048,755</u>	<u>2,061,657</u>	<u>(2,614)</u>	<u>26,107,798</u>

Depreciation expense was charged to the following governmental functions:

General Government	\$ 44,963
Public Safety	258,872
Public Works	281,715
Culture & Recreation	102,045
	<u>\$ 687,595</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 5 – Capital assets (Continued)

B. Business-type Activities

The following is a summary of business-type capital assets activity for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Adjustments/ Sales	Balance 9/30/2021
Capital assets not being Depreciated:				
Land	\$ 1,215,870	-	-	1,215,870
Construction in Progress	517,115	2,569,182	-	3,086,297
Total capital assets not being depreciated	<u>1,732,985</u>	<u>2,569,182</u>	<u>-</u>	<u>4,302,167</u>
Capital assets being depreciated:				
Infrastructure	48,985,280	-	-	48,985,280
Machinery & Equipment	1,751,413	-	-	1,751,413
Equipment under Capital Leases	3,224,544	-	-	3,224,544
Total capital assets being depreciated	<u>53,961,237</u>	<u>-</u>	<u>-</u>	<u>53,961,237</u>
Less accumulated depreciation for:				
Infrastructure	13,620,792	1,142,990	-	14,763,782
Machinery & Equipment	1,364,860	73,378	-	1,438,238
Equipment under Capital Leases	451,435	75,239	-	526,674
Total accumulated depreciation	<u>15,437,087</u>	<u>1,291,607</u>	<u>-</u>	<u>16,728,694</u>
Total Capital assets being depreciated, net	<u>38,524,150</u>	<u>(1,291,607)</u>	<u>-</u>	<u>37,232,543</u>
Total business-type activities capital assets, net	<u>\$ 40,257,135</u>	<u>1,277,575</u>	<u>-</u>	<u>41,534,710</u>

Depreciation expense was charged to the following governmental functions:

Water and Sewer Fund	\$ 1,291,607
Solid Waste Fund	-
Total depreciation - business-type activities	<u>\$ 1,291,607</u>

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, 2021, were \$14,733,333, of which an allowance of \$13,996,666 has been determined as uncollectible with \$736,667 deemed collectible.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

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, 2021, to January 1, 2022. 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, 2021, the amount of this liability was \$181,160.

	<u>Amount</u>
Liability at beginning of year	\$ 163,660
Claims and changes of estimates	1,449,215
Claims payments	<u>(1,431,715)</u>
Liability at end of year	<u><u>\$ 181,160</u></u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

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, 2021, 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, 2021

Note 8 – Retirement Plan (continued)

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

At September 30, 2021, the City reported a liability of \$10,143,023 in the governmental activities and \$422,626 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, 2021, 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, 2021, the City's proportion was .071%. For the year ended September 30, 2021, the City recognized PERS pension expense for governmental activities of \$340,194 and for the business-type activities of \$255,531.

At September 30, 2021, 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	\$ 158,807	10,137	168,944
Changes of assumptions	764,240	48,781	813,021
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share on contributions	124,825	7,968	132,793
City's contributions subsequent to the measurement date	179,734	11,472	191,206
Total deferred outflows related to pensions	<u>\$ 1,227,606</u>	<u>78,358</u>	<u>1,305,964</u>

At September 30, 2021, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Net difference between projected and actual earnings on pension plan investments	\$ 2,831,911	\$ 350,011	\$ 3,181,922
Changes in proportion and differences between City contributions and proportionate share on contributions	94,995	6,064	101,059
Total	<u>\$ 2,926,906</u>	<u>\$ 356,075</u>	<u>\$ 3,282,981</u>

Within the deferred outflows, a net amount of \$191,206 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, 2021.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 8 – Retirement Plan (continued)

The remaining amounts reported as deferred outflows of resources related to pensions of \$1,114,758 and deferred inflows of resources related to pensions of \$3,282,981 netting to \$(2,168,223) will be recognized in pension expense as follows:

Year Ending September 30,	
2022	\$ (346,042)
2023	(390,753)
2024	(483,231)
2025	(948,197)
	<u>\$ (2,168,223)</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 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, 2020. The experience report is dated April 20, 2021.

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, 2021

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 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	(1.00)
Total	100.00 %	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.55 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 7.55 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 (6.55 percent) or one percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1 % Increase (8.55%)
City's Proportionate share of PERS	\$ 14,963,434	\$ 10,565,649	\$ 6,941,522

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.

Three-year Trend Information

The City's contributions to PERS for the fiscal years ending September 30, 2021, 2020 and 2019 were \$823,046, \$820,340, \$756,838, respectively, which equaled the required contributions for each year.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt

Debt outstanding at September 30, 2021 consists of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:				
A. Bonds:				
General Obligation Refunding Bonds, Series 2020	\$ 4,224,000	\$ 3,804,000	1.75%	09/30/30
Special Limited Obligation Bonds, Series 2019	4,390,000	4,245,000	3-00-4.00%	03/01/41
Total Obligation Bonds		<u>8,049,000</u>		
B. Notes Payable				
Notes Payable-MDA Cap Improv Loan	763,087	586,902	2.00%	02/01/36
Notes Payable-SMPDD Cap Improv Loan	500,000	500,000	2.75%	04/01/36
Total Notes Payable		<u>1,086,902</u>		
C. Capital Leases:				
Hancock Bank				
secured by 2019 F150 Crew Cab, \$11,785 annually	32,213	11,245	4.80%	06/21/22
secured by 2019 F150 Pickup, \$13,415 annually	36,670	12,801	4.80%	04/11/22
secured by two 2019 F350 Truck, \$19,360 annually	53,192	18,522	4.53%	05/09/22
secured by 2019 Dodge Caravan, \$7,981 annually	21,813	7,615	4.81%	04/11/22
secured by AS400 Network, \$10,498 annually	46,760	38,123	3.98%	06/04/25
Motorola				
secured by Motorola radios, \$37,895 annually	113,038	75,359	3.81%	12/01/22
South Mississippi Planning and Development				
secured by three Police Cars, \$27,360 annually	126,201	102,597	2.75%	10/01/25
Total Capital Leases		<u>266,262</u>		
Total governmental activities		<u>9,402,164</u>		
Business-type Activities:				
A. Bonds				
Special Obligation Bonds, Series 2013	3,500,000	310,000	2.00-5.00%	07/01/23
Revenue Refunding Bonds, Series 2018	4,000,000	3,580,000	4.00-4.375%	05/01/35
Revenue Refunding Bonds, Series 2019	6,000,000	5,795,000	2.50-3.50%	07/01/33
Revenue Refunding Bonds, Series 2020	2,579,000	2,520,000	1.75%	07/01/33
Total Bonds Payable		<u>12,205,000</u>		
B. Notes Payable				
Secured by sales tax revenue				
State Revolving Fund Loan, 2006, \$7,877 monthly	1,288,485	328,098	1.75%	04/01/25
State Revolving Fund Loan, 2006, \$10,949 monthly	1,865,320	547,894	1.75%	01/01/26
State Revolving Fund Loan, 2006, \$9,666 monthly	1,760,448	816,565	2.75%	06/01/29
Drinking Water System Impr. Revolving Loan, \$9,019 monthly	1,344,987	434,577	3.56%	01/01/26
Drinking Water System Impr. Revolving Loan, \$2,150 monthly	422,610	155,489	1.95%	02/01/28
Drinking Water System Impr. Revolving Loan, \$3,766 monthly	740,239	328,032	1.95%	05/01/29
Total Notes Payable		<u>2,610,655</u>		
C. Capital Leases:				
Bancorpsouth				
secured by water meters, \$287,450 annually	3,235,000	1,895,142	3.29%	04/04/29
Total business-type activities		<u>16,710,797</u>		
Total government		<u>\$ 26,112,961</u>		

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt (Continued)

A. Governmental Activities

Transactions for the year ended September 30, 2021 are summarized as follows:

	Balance 10/1/2020	Additions	Retirements	Balance 9/30/2021	Due Within one Year
Bonds	\$ 8,607,000	-	(558,000)	8,049,000	575,000
Notes payable	620,808	500,000	(33,906)	1,086,902	61,966
Capital Leases	484,603	-	(218,341)	266,262	121,381
Compensated Absences	398,947	32,587	-	431,534	48,364
	<u>10,111,358</u>	<u>532,587</u>	<u>(810,247)</u>	<u>9,833,698</u>	<u>806,711</u>
Add:					
Bond Premium	66,550		(3,240)	63,310	-
	<u>\$ 10,177,908</u>	<u>\$ 532,587</u>	<u>\$ (813,487)</u>	<u>\$ 9,897,008</u>	<u>\$ 806,711</u>

Bonds Payable

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

September 30,	Principal	Interest	Total
2022	575,000	211,052	786,052
2023	594,000	199,040	793,040
2024	579,000	186,632	765,632
2025	588,000	173,600	761,600
2026	591,000	159,497	750,497
2027-2031	2,642,000	579,641	3,221,641
2032-2036	1,135,000	333,412	1,468,412
2037-2041	1,345,000	120,837	1,465,837
	<u>\$ 8,049,000</u>	<u>1,963,711</u>	<u>10,012,711</u>

Notes Payable

New Issuance

SMPDD Note Payable – In 2021, the City issued a \$500,000 improvement loan with the Southern Mississippi Planning and Development District. The net proceeds of the \$500,000 are to be used in the purchase of the Singing River Mall property that the City has named the Town Center Retail Development Complex. The loan is to be repaid over 15 years, maturing in 2036, and carries a fixed interest rate of 2.75%.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt (Continued)

A. Governmental Activities

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	61,966	25,488	87,454
2023	63,411	24,043	87,454
2024	64,892	22,564	87,456
2025	66,404	21,049	87,453
2026	67,955	19,499	87,454
2027-2031	364,369	72,899	437,268
2032-2036	397,905	33,141	431,046
	<u>\$ 1,086,902</u>	<u>218,683</u>	<u>1,305,585</u>

Capital Lease Obligations-Governmental Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Computer equipment	\$ 46,760
Mobile equipment	809,606
Pumper truck	448,599
Less: accumulated depreciation	(672,367)
Leased property under capital leases	<u>\$ 632,598</u>

The following is a schedule by years of the total payments due as of September 30, 2021:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 121,381	6,912	128,293
2022	72,232	3,403	75,635
2023	35,616	2,241	37,857
2024	37,033	1,143	38,176
	<u>\$ 266,262</u>	<u>13,699</u>	<u>279,961</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 9 – Long-term Debt (continued)

B. Business-type Activities

Transactions for the year ended September 30, 2021 are summarized as follows:

	Balance 10/1/2020	Additions	Retirements	Balance 9/30/2021	Due Within one Year
Bonds Payable	\$ 12,250,000	2,579,000	(2,624,000)	12,205,000	560,000
Notes Payable-Revolving Loans	3,063,611		(452,956)	2,610,655	463,645
Capital Leases	2,114,352		(219,210)	1,895,142	112,335
Compensated Absences	18,137	2,504		20,641	4,629
Total business-type activities	<u>\$ 17,446,100</u>	<u>2,581,504</u>	<u>(3,296,166)</u>	<u>16,731,438</u>	<u>1,140,609</u>

Bonds Payable

New Issuance

Water & Sewer Revenue Bonds, Series 2021 – In 2021, the City issued \$2,579,000 in revenue refunding bonds. These bonds were issued to refund a portion of the Special Obligation Bonds, Series 2013. The bond is to be repaid over 13 years, maturing in 2033 and carries an interest rate of 1.75%. These refunding bonds provided a \$165,777 net present value cashflow savings for the City. Payments on this bond will be made from the net revenues of the Water and Sewer system operations.

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

September 30,	Principal	Interest	Total
2022	\$ 560,000	353,344	913,344
2023	741,000	333,774	1,074,774
2024	609,000	310,294	919,294
2025	626,000	291,606	917,606
2026	642,000	272,601	914,601
2027-2031	3,549,000	1,059,119	4,608,119
2032-2036	3,348,000	572,032	3,920,032
2037-2041	2,130,000	117,825	2,247,825
	<u>\$ 12,205,000</u>	<u>3,310,595</u>	<u>15,515,595</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, 2021

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>
2022	\$ 463,646	52,079	515,725
2023	474,614	46,522	521,136
2024	485,864	35,261	521,125
2025	457,904	23,835	481,739
2026	252,321	14,529	266,850
2027-2029	476,306	16,925	493,231
	<u>\$ 2,610,655</u>	<u>189,151</u>	<u>2,799,806</u>

Capital Lease Obligations-Business-type Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

<u>Classes of Property</u>	<u>Business-type Activities</u>
Water meter project	\$ 3,224,544
Less: accumulated depreciation	(526,676)
Leased property under capital leases	<u>\$ 2,697,868</u>

The following is a schedule by years of the total payments due as of September 30, 2021:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 112,335	31,390	143,725
2023	230,283	57,166	287,449
2024	237,975	49,475	287,450
2025	245,924	41,526	287,450
2026	254,138	33,312	287,450
2027-2029	814,487	47,863	862,350
	<u>\$ 1,895,142</u>	<u>260,732</u>	<u>2,155,874</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, 2021, the amount of outstanding debt was equal to 7.6% of the latest property assessments.

D. Compensated Absences

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 10 – Net Investment in Capital Assets

Governmental Activities:

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 9,556,086
Other capital assets	22,404,885
Less: accumulated depreciation	(5,853,173)

Less: outstanding balances of borrowings for capital asset acquisition:

Bonds related to capital improvements	(8,112,310)
Notes related to capital improvements	(1,086,902)
Capital leases	(266,262)

Less: material capital improvements accounts payable at year end

(588,267)

Add: outstanding restricted cash for capital improvements

2,623,541

Total Net Investment in Capital Assets - Governmental Activities

\$ 18,677,598

Business-type Activities

Water and Sewer Fund

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 4,302,167
Other capital assets	53,924,283
Less: accumulated depreciation	(16,695,434)

Less: outstanding balances of borrowings for capital asset acquisition:

Revenue refunding bonds related to capital improvements	(11,895,000)
Special obligation bonds related to capital improvements	(310,000)
Revolving loans	(2,610,655)
Capital leases	(1,895,142)

Add: prepaid attributable to capital asset acquisition

185,666

Add: outstanding restricted cash for capital improvements

5,197,042

Net investment in capital assets - Water and Sewer Fund

30,202,927

Solid Waste Fund

Net investment in capital assets:

Other capital assets

36,952

Less: accumulated depreciation

(33,258)

Net investment in capital assets - Solid Waste Fund

3,694

Total Net Investment in Capital Assets - Business-type Activities

\$ 30,206,621

Note 11 – 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.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 11 – Property and Sales Tax Revenue (Continued)

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, 2021 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 \$2,507,783.

Note 12 – 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 City (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 2021 was 16,201, for calendar year 2020 was \$15,809 and for calendar year 2019 was \$15,340.

Note 13 – 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.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 13 – Commitments and Contingencies (Continued)

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, 2021. 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, 2021 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 \$106,820/month for the year ended September 30, 2021. This amount includes commercial and residential garbage collection. During the fiscal year ended September 30, 2021 the City paid a total of \$1,281,840 to Delta Sanitation of MS, LLC under this contract.

Note 14 – Jointly Governed Organizations

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 \$114,998 to the Library for the year ended September 30, 2021.

Note 15 – Joint Ventures

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 \$2,300,281 for the year.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2021

Note 15 – Joint Ventures (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2021:

CONDENSED STATEMENT OF NET POSITION

<u>ASSETS</u>	
Current assets	\$ 2,990,599
Restricted assets	6,235,756
Capital assets, net	160,054,482
Total assets	<u>169,280,837</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2,179,011</u>
<u>LIABILITIES</u>	
Current liabilities	4,961,641
Long-term liabilities	65,935,598
Total liabilities	<u>70,897,239</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>3,560,990</u>
<u>NET POSITION</u>	<u>\$ 97,001,619</u>

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

Operating revenue	\$ 18,713,836
Operating expenses	(23,124,130)
Nonoperating revenues	124,367
Nonoperating expenditures	(1,709,262)
Change in net position	<u>\$ (5,995,189)</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 2021 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, 2021

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 July 28, 2022, (the date the financial statements were available to be issued) that there are no subsequent events that require disclosure in the notes to the financial statements.

Note 17 – Worldwide Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 18 – Prior Period Adjustments

During the current year, beginning net position and fund balances were restated from fiscal year ended September 30, 2020 as follows:

<i>Statement of Net Position</i>	
<i>Governmental Activities</i>	
Receivable deemed uncollectible booked in FY2020	\$ (142,724)
<i>Business-type Activities</i>	
Additional A/P attributable to FY 2020	\$ 36,900
Overall restatement of Net Position	<u>\$ (105,824)</u>
<i>Fund Balance</i>	
<i>General Fund</i>	
Receivable deemed uncollectible booked in FY2020	\$ (142,724)
<i>Water and sewer fund</i>	
Additional A/P attributable to FY 2020	\$ 36,900
Overall restatement of Fund Balances	<u>\$ (105,824)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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, 2021

	Budgeted Amounts		Actual Budgetary Basis	Variances Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	4,829,923	4,829,923	5,327,290	-	497,367
General sales and use tax	2,405,000	2,403,000	2,702,343	(2,000)	299,343
Fines and forfeitures	500,000	500,000	360,001	-	(139,999)
Licenses and permits	97,000	139,795	162,100	42,795	22,305
Intergovernmental	1,403,938	1,807,420	1,358,831	403,482	(448,589)
Franchise fees	150,000	150,000	131,807	-	(18,193)
Investment earnings	-	-	12,372	-	12,372
Miscellaneous	141,400	157,100	148,739	15,700	(8,361)
Total Revenues	9,527,261	9,987,238	10,203,483	459,977	216,245
Expenditures:					
General government:					
Personnel services	1,522,022	1,507,000	1,472,550	15,022	34,450
Supplies	56,300	67,795	41,711	(11,495)	26,084
Other services and charges	1,202,250	1,185,217	946,067	17,033	239,150
Capital outlay	2,600	14,800	10,370	(12,200)	4,430
Total general government	2,783,172	2,774,812	2,470,698	8,360	304,114
Public safety:					
Personnel services	5,593,777	5,562,822	5,180,657	30,955	382,165
Supplies	259,367	259,367	205,053	-	54,314
Other services and charges	264,550	302,685	291,424	(38,135)	11,261
Capital outlay	37,200	193,700	141,104	(156,500)	52,596
Total public safety	6,154,894	6,318,574	5,818,238	(163,680)	500,336
Public works:					
Personnel services	222,002	222,002	207,603	-	14,399
Supplies	95,800	89,800	44,419	6,000	45,381
Other services and charges	236,470	251,470	137,255	(15,000)	114,215
Capital outlay	35,000	60,000	21,598	(25,000)	38,402
Total public works	589,272	623,272	410,875	(34,000)	212,397
Culture and recreation					
Personnel services	416,147	404,122	388,600	12,025	15,522
Supplies	82,000	99,350	85,672	(17,350)	13,678
Other services and charges	78,750	83,750	59,478	(5,000)	24,272
Capital outlay	2,500	28,252	28,524	(25,752)	(272)
Total culture and recreation	579,397	615,474	562,274	(36,077)	53,200
Debt service	90,087	128,082	128,079	(37,995)	3
Total Expenditures	10,196,822	10,460,214	9,390,164	(263,392)	1,070,050
Excess (Deficiency) of Revenues					
Over Expenditures	(669,561)	(472,976)	813,319	196,585	1,286,295

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, 2021

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
				Original	Final
	Original	Final		to Final	to Actual
Other Financing Sources (Uses):					
Transfers In	1,036,634	865,839	870,792	(170,795)	4,953
Transfers Out	(850,529)	(876,319)	(876,279)	(25,790)	40
Total Other Financing Sources (Uses)	186,105	(10,480)	(5,487)	(196,585)	4,993
Net Change in Fund Balance - Budget	(483,456)	(483,456)	807,832	-	1,291,288

Net Change in fund balance - Budget-Cash Basis		\$ 807,832
Revenues per Cash-basis Budget	11,074,275	
Accrual adjustments	(89,419)	(89,419)
Revenues per Fund Financial Statements	10,984,856	
Expenditures per Cash-basis Budget	10,266,443	
Accrual adjustments	174,725	(174,725)
Expenditures per Fund Financial Statement	10,441,168	
Net Change in fund balance - Fund Financials		\$ 543,688

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, 2021

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, 2021
(UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.071%	0.071%	0.072%	0.070%	0.070%	0.067%	0.067%
City's proportionate share of the net pension liability (asset)	\$ 10,565,649	13,751,937	12,666,221	11,643,082	11,636,376	11,967,873	10,356,879
City's covered payroll	\$ 4,695,299	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	225.03%	290.73%	250.88%	257.78%	258.46%	280.33%	246.65%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	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, 2021
(UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 823,651	820,340	756,838	722,163	713,359	681,575	658,899
Contributions in relation to the contractually required contribution	823,651	820,340	756,838	722,163	713,359	681,575	658,899
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
City's covered payroll	\$ 4,733,626	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%	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.

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2021

Pension Schedules

A. Changes in assumptions

➤ 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decrease from 6% to 4%.

➤ 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%.

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2021

B. Changes in benefit provisions

None in the past three years.

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, 2020 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

City of Gautier, Mississippi
Schedule of the Expenditures of Federal Awards
For the Year Ended September 30, 2021

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 Agriculture				
Natural Resources Conversation Service				
Emergency Wasthered Protection	10.923	NR204423	\$ 160,738	-
Total U.S. Department of Agriculture			<u>160,738</u>	<u>-</u>
U.S. Department of Interior				
Passed through MS Department of Marine Resources				
GOMESA Act	15.435	3000030940	58,360	-
Passed through MS Department of Archives & History				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	1,250	-
Total U.S. Department of Interior			<u>59,610</u>	<u>-</u>
U.S. Department of Justice				
Passed through Mississippi Department of Public Safety				
HIDTA	16.592	G20GC003A	11,149	-
FBI Safe Street	16.592	19GCP540Z	9,311	-
Equitable Sharing Program	16.922	MS0300600	47,220	-
Total U.S. Department of Justice			<u>67,680</u>	<u>-</u>
US Department of Transportation				
Passed through MS Dept of Transportation				
Martin Bluff Road Improvements	20.205	STP-9194	193,825	-
Martin Bluff Road Sidewalk Study	20.205	STP-9194	301,554	-
Overpass Study	20.205	STP-0494	58,499	-
Total U.S. Department of Transportation			<u>553,878</u>	<u>-</u>
US Department of The Treasury				
Passed through MS Development Authority				
Restore Act	21.015	20-00013	616,001	-
Total U.S. Department of The Treasury			<u>616,001</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through MS Emergency Management Agency				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	50,443	-
Disaster Grants - Public Assistance - H. Ida	97.036	FEMA-4626-DR	5,513	-
Total U.S. Department of Homeland Security			<u>55,956</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,513,863</u>	<u>-</u>

City of Gautier, Mississippi
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

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, 2021. 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, 2021:

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	-	155,489	422,610
DWI-H280114-01-02	66.458	-	328,032	470,475
SRF-C280879-02-2	66.458	-	816,565	1,760,448
SRF-C280879-01-3	66.458	-	328,098	1,288,485
DWI-H280092-01-3	66.458	-	434,577	1,344,987
SRF-C280754-01-3	66.458	-	547,894	1,865,320
Total federal loans		\$ -	\$ 2,610,655	\$ 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, 2021

Position	Amount
Mayor	\$ 100,000
Councilman	100,000
Councilman	100,000
Councilman	100,000
Councilman	100,000
Councilman	100,000
Councilman	100,000
City Manager	50,000
City Clerk/Comptroller	50,000
Asst Comptroller	50,000
Executive Asst	50,000
Acctg/Personnel Clerk	50,000
Acctg/Personnel Clerk	50,000
Administrative Clerk	50,000
Administrative Clerk	50,000
Administrative Clerk	50,000
Administrative Clerk	50,000
Administrative Clerk	50,000
Purchasing Clerk	50,000
Court Clerk	50,000
Deputy Court Clerk	50,000
Deputy Court Clerk	50,000
Records Clerk	50,000
Police	25,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Dispatcher	50,000
Park Attendant	50,000
Park Attendant	50,000
Park Attendant	50,000
Utility Services	50,000
Utility Services	50,000
Utility Services	50,000
Utility Services	50,000
Utility Services	50,000
Utility Services	50,000
Utility Services	50,000

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2022.

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.

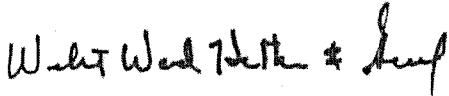
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Wright, Ward, Hatten and Guel
July 28, 2022

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

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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, 2021. 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 the requirements of laws, regulations, contracts, and grants 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, 2021.

Report on Internal Control over Compliance

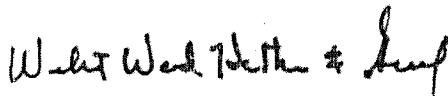
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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
July 28, 2022

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and
City Council of
City of Gautier, Mississippi

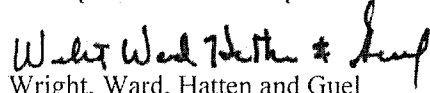
In planning and performing our audit of the financial statements of the City of Gautier, Mississippi for the year ended September 30, 2021, we considered the City's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to 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 July 28, 2022, 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
July 28, 2022

City of Gautier, Mississippi
Schedule of Findings and Questioned Costs
September 30, 2021

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?
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: 100px;"> <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;">21.015</td> <td style="text-align: center;">U.S. Department of Treasury
Restore Act</td> </tr> </table> | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | 21.015 | U.S. Department of Treasury
Restore Act | |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 21.015 | U.S. Department of Treasury
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, 2021.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings noted during the fiscal year ended September 30, 2021.