

**CITY OF GAUTIER, MISSISSIPPI**

Audited Financial Statements and Special Reports

Year Ended September 30, 2019

CITY OF GAUTIER, MISSISSIPPI  
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Year Ended September 30, 2019

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## INTRODUCTORY SECTION

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**ELECTED OFFICIALS**  
**As of September 30, 2019**



**Phil Torjusen**  
**Mayor**



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



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



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



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

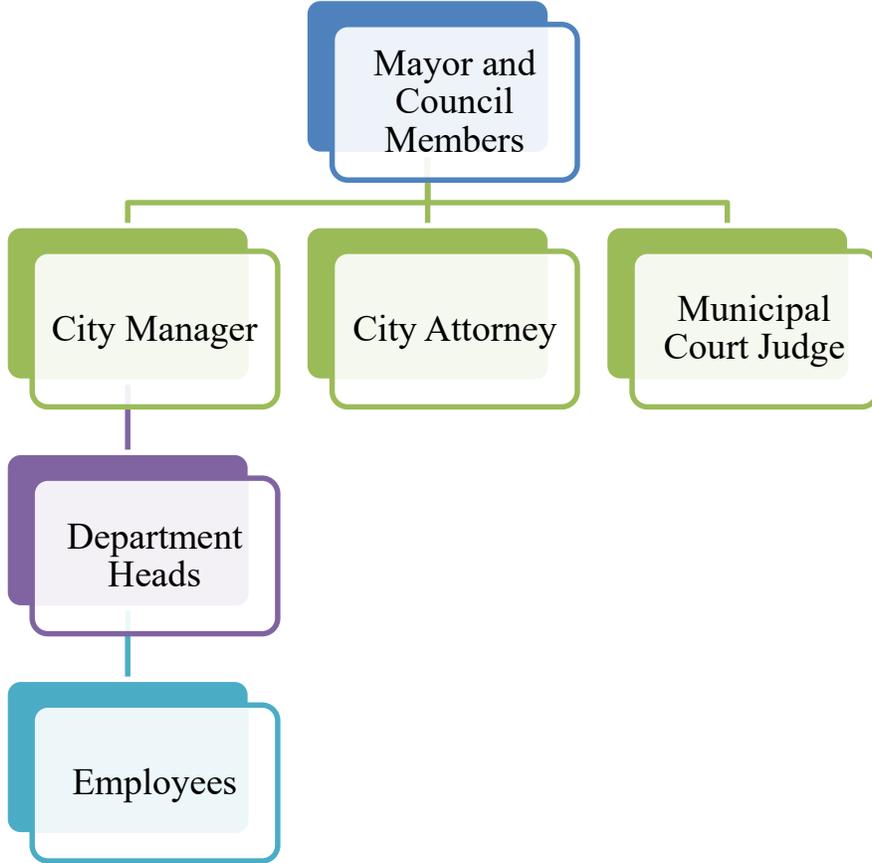


**Charles "Rusty" Anderson**  
**Councilman, Ward 4**



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

**ORGANIZATION CHART**  
**As of September 30, 2019**



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FINANCIAL SECTION

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501 FAX  
NUMBER (228) 863-6544  
EMAIL: OFFICE@WWHGCPA.COM

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
City Council  
City of Gautier, Mississippi

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier, Mississippi, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

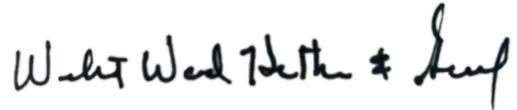
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Gautier, Mississippi's basic financial statements. The Introductory Section and the Schedule of Surety Bonds for City Officials have not been subjected to the auditing procedures 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 24, 2020, 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 24, 2020, 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 & Guel  
Gulfport, MS  
July 24, 2020

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## MANAGEMENT DISCUSSION AND ANALYSIS

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**City of Gautier, Mississippi**  
Management's Discussion and Analysis  
Year Ended September 30, 2019



## 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, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Gautier is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Gautier as of July 1, 2019, is 18,490. The median household income is \$47,492 with over 87.4% of persons 25 years or older holding a high school degree or higher.

### Government-wide Financial Highlights

- Total net position increased \$3,373,317 or 8% from 2018 which increased \$3,884,279.
- General revenues amounted to \$9,567,759 or 41% of total revenues. This amount increased \$845,375 from 2018. Program revenues amounted to \$13,661,676 or 59% of total revenues, an decrease of \$284,586 from 2018. This increase was mostly due to the more federal revenues received for capital projects.
- Capital assets, net of accumulated depreciation, increased by \$584,071 in the governmental activities and decreased \$318,267 in the business-type activities during 2019. The increase in governmental capital assets is primarily as a result of \$1,713,638 in capital assets acquisitions. The decrease in business-type activities stems from annual depreciation.
- Long-term debt increased by \$3,842,181 in the governmental activities primarily due a new bond debt issue. This amount also includes a \$28,196 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 \$2,419,676 in the business-type activities. This amount also includes a \$4,046 increase in compensated absences for the business-type activities. The City's total debt outstanding at September 30, 2019 is \$22,992,791 of which the liability for compensated absences is \$422,040.

### Fund Highlights

- \* *General Fund* – This fund is used for the general operations of the City. The General Fund had \$9,907,815 in revenues, which shows an increase of \$679,341 from 2018 and \$9,146,936 in expenditures, an increase of \$473,818 from 2018, in the current year. The General Fund's fund balance increased \$884,856.

**City of Gautier, Mississippi**  
Management's Discussion and Analysis  
Year Ended September 30, 2019

**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 2019?" 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 2019 compared to 2018.

**City of Gautier, Mississippi**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2019**

**TABLE 1**  
**Condensed Statement of Net Position**  
**September 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 17,103,349	11,027,367	9,808,255	10,398,825	26,911,604	21,426,192
Capital assets	22,998,313	22,414,242	40,246,501	40,564,768	63,244,814	62,979,010
Total Assets	<u>40,101,662</u>	<u>33,441,609</u>	<u>50,054,756</u>	<u>50,963,593</u>	<u>90,156,418</u>	<u>84,405,202</u>
Deferred Outflows	<u>589,137</u>	<u>441,997</u>	<u>37,604</u>	<u>334</u>	<u>626,741</u>	<u>442,331</u>
Liabilities						
Current liabilities	600,386	865,295	1,281,608	803,346	1,881,994	1,668,641
Non-current liabilities	22,876,662	18,400,686	12,782,094	14,812,682	35,658,756	33,213,368
Total Liabilities	<u>23,477,048</u>	<u>19,265,981</u>	<u>14,063,702</u>	<u>15,616,028</u>	<u>37,540,750</u>	<u>34,882,009</u>
Deferred Inflows	<u>4,973,469</u>	<u>5,073,267</u>	<u>9,993</u>	<u>6,627</u>	<u>4,983,462</u>	<u>5,079,894</u>
Net Position						
Investment in capital assets, net of related debt	12,795,180	16,025,094	27,878,883	27,163,428	40,674,063	43,188,522
Restricted net assets	3,871,819	660,457	1,057,397	5,499,313	4,929,216	6,159,770
Unrestricted	(4,426,717)	(7,141,193)	7,082,385	2,678,531	2,655,668	(4,462,662)
Total Net Position	<u>\$ 12,240,282</u>	<u>9,544,358</u>	<u>36,018,665</u>	<u>35,341,272</u>	<u>48,258,947</u>	<u>44,885,630</u>

**TABLE 2**  
**Condensed Statement of Activities**  
**September 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues	\$ 3,217,106	3,119,078	10,444,570	10,827,184	13,661,676	13,946,262
General revenues	9,080,524	8,424,998	487,235	297,386	9,567,759	8,722,384
Total revenues	<u>12,297,630</u>	<u>11,544,076</u>	<u>10,931,805</u>	<u>11,124,570</u>	<u>23,229,435</u>	<u>22,668,646</u>
Expenses:						
General government	2,299,086	2,500,601	-	-	2,299,086	2,500,601
Public safety	6,157,983	6,641,484	-	-	6,157,983	6,641,484
Public works	661,109	318,592	-	-	661,109	318,592
Culture and recreation	910,483	782,759	-	-	910,483	782,759
Interest on long-term debt	408,532	231,206	-	-	408,532	231,206
Water and sewer	-	-	8,199,528	7,218,544	8,199,528	7,218,544
Solid waste	-	-	1,219,397	1,091,181	1,219,397	1,091,181
Total expenses	<u>10,437,193</u>	<u>10,474,642</u>	<u>9,418,925</u>	<u>8,309,725</u>	<u>19,856,118</u>	<u>18,784,367</u>
Transfers	<u>835,487</u>	<u>640,000</u>	<u>(835,487)</u>	<u>(640,000)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	2,695,924	1,709,434	677,393	2,174,845	3,373,317	3,884,279
Net Position - beginning, restated	<u>9,544,358</u>	<u>7,834,924</u>	<u>35,341,272</u>	<u>33,166,427</u>	<u>44,885,630</u>	<u>41,001,351</u>
Net Position - ending	<u>\$ 12,240,282</u>	<u>9,544,358</u>	<u>36,018,665</u>	<u>35,341,272</u>	<u>48,258,947</u>	<u>44,885,630</u>

**City of Gautier, Mississippi**  
 Management's Discussion and Analysis  
 Year Ended September 30, 2019

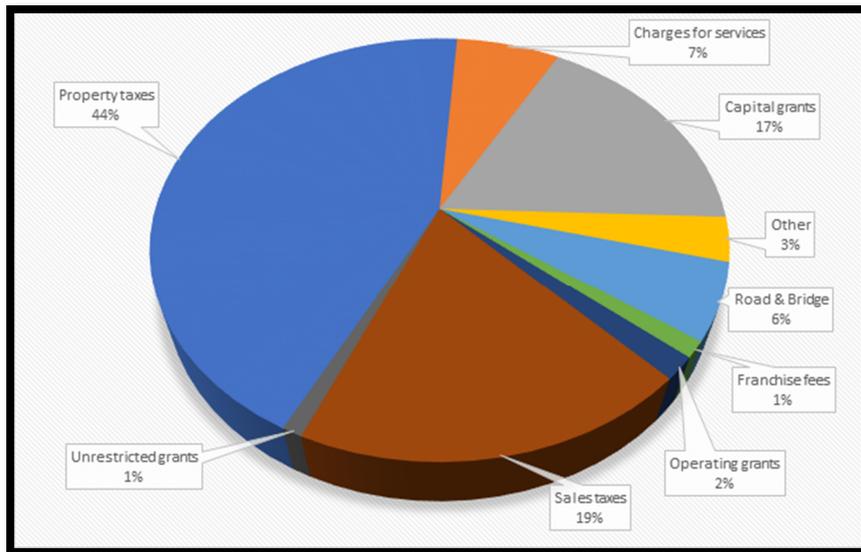
*Governmental Activities*

Total net position increased \$3,373,317 as a result primarily due to an increase in general revenues and an increase in expenditures.

Under the accrual basis of accounting, general revenues amounted to of \$9,080,524 or 74% of total revenues. This amount increased \$655,526 from 2018. Program revenues amounted to \$3,217,106 or 26% of total revenues, which increased \$98,028 from 2018.

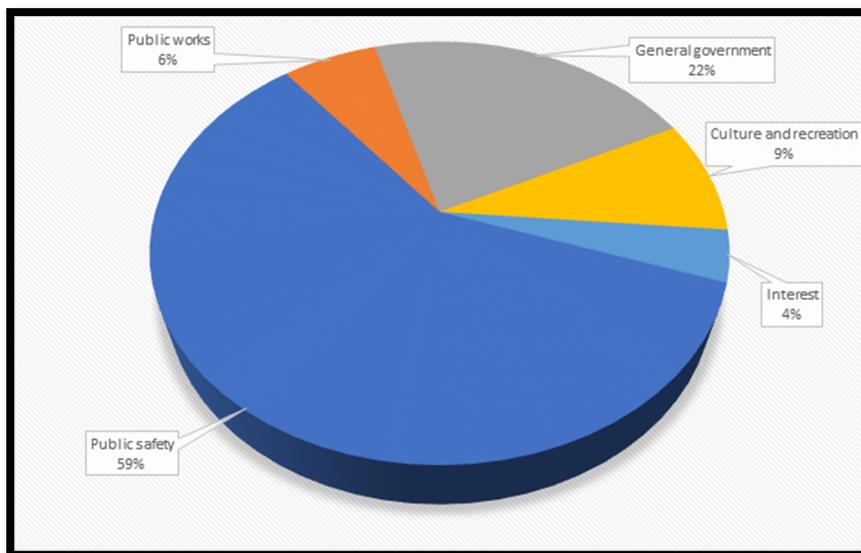
Several revenue sources fund our governmental activities. The following chart shows the City's total general revenues and program income that is used to offset governmental expenses.

**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  
Year Ended September 30, 2019

*Business-type activities*

Net position for the business-type activities was \$36,018,665 an increase of \$677,393. Charges for services decreased approximately \$705,765.

Restricted net position increased significantly during 2019 primarily due to bond proceeds being expended in the current year.

**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  
Year Ended September 30, 2019

**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 2019, the City amended its general fund budget. All recommendations for a budget change come from the City Manager to the City Council 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 overspending by individual departments.

**Capital Assets**

Table 3 shows the Changes in Capital Assets for the years ended September 30, 2019 and 2018.

*TABLE 3*  
**Schedule of Capital Assets (Net of Accumulated Depreciation)**  
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 6,228,137	6,128,137	1,215,870	1,215,870	7,444,007	7,344,007
Construction in progress	1,133,302	581,158	910,099	66,500	2,043,401	647,658
Buildings & improvements	2,519,389	2,364,045	-	-	2,519,389	2,364,045
Infrastructure	11,997,668	12,330,867	34,812,255	35,916,146	46,809,923	48,247,013
Machinery & equipment	506,607	456,731	459,929	442,665	966,536	899,396
Equipment under capital leases	613,210	553,304	2,848,348	2,923,587	3,461,558	3,476,891
Total	<u>\$ 22,998,313</u>	<u>22,414,242</u>	<u>40,246,501</u>	<u>40,564,768</u>	<u>63,244,814</u>	<u>62,979,010</u>

The primary increase in capital assets occurred due to land purchases and construction in progress.

**City of Gautier, Mississippi**  
Management's Discussion and Analysis  
Year Ended September 30, 2019

**General Long-term Obligations**

At September 30, 2019, the City had \$22,992,791 outstanding debt obligations, which included \$422,040 of compensated absences payable.

*TABLE 4*  
**Schedule of Long-term Debt**  
**September 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 4,680,000	5,860,000	-	-	4,680,000	5,860,000
Limited Obligation Bonds	4,390,000	-	-	-	4,390,000	-
Revenue Refunding Bonds	-	-	3,865,000	-	3,865,000	-
Revenue Bonds	-	-	-	2,745,000	-	2,745,000
Special Obligation Bonds	-	-	2,670,000	2,955,000	2,670,000	2,955,000
Capital Improvement Loans	667,130	731,738	-	-	667,130	731,738
Revolving Loans	-	-	3,506,143	4,360,970	3,506,143	4,360,970
Capital Leases	396,213	579,470	2,326,475	2,827,273	2,722,688	3,406,743
Add: Bond Premium*	69,790	-	-	31,907	69,790	31,907
Compensated Absences	405,152	366,083	16,888	-	422,040	366,083
Total	<u>\$ 10,608,285</u>	<u>7,537,291</u>	<u>12,384,506</u>	<u>12,920,150</u>	<u>22,992,791</u>	<u>20,457,441</u>

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

**Contact the City's Financial Management**

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

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

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## FINANCIAL STATEMENTS

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**City of Gautier, Mississippi**  
**Statement of Net Position**  
**September 30, 2019**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 10,504,732	6,886,846	17,391,578
Taxes receivables	4,879,093	-	4,879,093
Customer accounts receivable (net of allowance)	-	1,489,589	1,489,589
Intergovernmental receivables	696,012	262,607	958,619
Fines receivable (net of allowance)	647,294	-	647,294
Premiums receivable	21,179	-	21,179
Interfund	24,680	(24,680)	-
Due from fiduciary funds	135,564	-	135,564
Restricted current assets - cash	194,795	1,193,893	1,388,688
Total current assets	<u>17,103,349</u>	<u>9,808,255</u>	<u>26,911,604</u>
Capital assets			
Land and construction in progress	7,361,439	2,125,969	9,487,408
Other capital assets, net of accumulated depreciation			
Buildings	2,519,389	-	2,519,389
Infrastructure	11,997,668	34,812,255	46,809,923
Machinery and equipment	506,607	459,929	966,536
Equipment under capital leases	613,210	2,848,348	3,461,558
Total capital assets	<u>22,998,313</u>	<u>40,246,501</u>	<u>63,244,814</u>
Total assets	<u>40,101,662</u>	<u>50,054,756</u>	<u>90,156,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts on pension	589,137	37,604	626,741
Total deferred outflows of resources	<u>589,137</u>	<u>37,604</u>	<u>626,741</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims and wages payable	489,056	425,594	914,650
Accrued interest payable	44,184	132,191	176,375
Claims and judgements payable	67,146	-	67,146
Payable from restricted assets			
Customer deposits	-	723,567	723,567
Noncurrent Liabilities:			
Net pension liability	12,268,377	397,844	12,666,221
Due within one year			
Capital debt	860,894	832,722	1,693,616
Noncapital debt	45,009	3,319	48,328
Due in more than one year			
Capital debt	9,342,239	11,534,896	20,877,135
Noncapital debt	360,143	13,569	373,712
Total liabilities	<u>23,477,048</u>	<u>14,063,702</u>	<u>37,540,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	4,813,810	-	4,813,810
Deferred amount on pension	159,659	9,993	169,652
Total deferred inflows of resources	<u>4,973,469</u>	<u>9,993</u>	<u>4,983,462</u>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	12,795,180	27,878,883	40,674,063
Restricted Net Position:			
Non-expendable	4,845	-	4,845
Expendable:			
Restricted for debt service	2,705,667	743,546	3,449,213
Restricted for grant/bond purposes	505,693	313,851	819,544
Restricted for public safety	655,614	-	655,614
Unrestricted (deficit)	(4,426,717)	7,082,385	2,655,668
Total net position	<u>\$ 12,240,282</u>	<u>36,018,665</u>	<u>48,258,947</u>

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

**City of Gautier, Mississippi**  
**Statement of Activities**  
**Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,299,086	140,315	21,468	-	\$ (2,137,303)	-	(2,137,303)
Public safety	6,157,983	571,468	47,934	106,508	(5,432,073)	-	(5,432,073)
Public works	661,109	-	-	2,045,498	1,384,389	-	1,384,389
Culture, recreation and community services	910,483	142,976	140,939	-	(626,568)	-	(626,568)
Interest and debt costs	408,532	-	-	-	(408,532)	-	(408,532)
Total governmental activities	<u>10,437,193</u>	<u>854,759</u>	<u>210,341</u>	<u>2,152,006</u>	<u>(7,220,087)</u>	<u>-</u>	<u>(7,220,087)</u>
Business-type activities:							
Water and sewer	8,199,528	8,605,744	-	323,151		729,367	729,367
Solid waste	1,219,397	1,515,675	-	-		296,278	296,278
Total business-type activities	<u>9,418,925</u>	<u>10,121,419</u>	<u>-</u>	<u>323,151</u>		<u>1,025,645</u>	<u>1,025,645</u>
Total primary government	<u>\$ 19,856,118</u>	<u>10,976,178</u>	<u>210,341</u>	<u>2,475,157</u>		<u>1,025,645</u>	<u>(6,194,442)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,953,375	-	3,953,375
Property taxes, levied for debt service					948,864	-	948,864
Property taxes, community support					115,443	-	115,443
Property taxes in lieu - federal government					353,564	-	353,564
General sales taxes					2,305,610	-	2,305,610
Road and bridge privilege taxes					720,046	-	720,046
Franchise taxes					149,151	-	149,151
Grants and contributions not restricted to specific programs					119,448	-	119,448
Unrestricted investment earnings					157,856	181,766	339,622
Miscellaneous					257,167	305,469	562,636
Total general revenues					<u>9,080,524</u>	<u>487,235</u>	<u>9,567,759</u>
Change in net position before transfers					1,860,437	1,512,880	3,373,317
Transfers					835,487	(835,487)	-
Change in net position					2,695,924	677,393	3,373,317
Net position—beginning					9,544,358	35,341,272	44,885,630
Net position—ending					<u>\$ 12,240,282</u>	<u>36,018,665</u>	<u>48,258,947</u>

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

**City of Gautier, Mississippi**

Balance Sheet

Governmental Funds

September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 2,870,773	7,090,853	9,961,626
Receivables:			
Property tax	4,765,612	113,481	4,879,093
Sales tax	369,873	-	369,873
Franchise taxes	142,724	-	142,724
Intergovernmental	46,514	136,901	183,415
Court fines & fees	647,294	-	647,294
Due from other funds	293,198	7,979	301,177
Restricted assets - cash	4,845	189,950	194,795
Total assets	<u>9,140,833</u>	<u>7,539,164</u>	<u>16,679,997</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Claims payable	93,136	193,742	286,878
Wages payable	202,178	-	202,178
Due to other funds	7,979	110,121	118,100
Total liabilities	<u>303,293</u>	<u>303,863</u>	<u>607,156</u>
Deferred Inflows of Resources:			
Property taxes for future reporting period	4,701,861	111,949	4,813,810
Unavailable revenue - fines	647,294	-	647,294
Total deferred inflows of resources	<u>5,349,155</u>	<u>111,949</u>	<u>5,461,104</u>
Fund Balances:			
Nonspendable			
Unemployment compensation	4,845	-	4,845
Restricted for:			
Debt service	-	1,672,003	1,672,003
Public safety	-	638,533	638,533
Committed for:			
Capital projects	-	4,812,816	4,812,816
Assigned to:			
Emergency travel fund	1,144	-	1,144
Unassigned	3,482,396	-	3,482,396
Total fund balances	<u>3,488,385</u>	<u>7,123,352</u>	<u>10,611,737</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>9,140,833</u>	<u>7,539,164</u>	<u>16,679,997</u>

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

**City of Gautier, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2019**

**Total governmental funds balance** **\$ 10,611,737**

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.

Cost of capital assets	\$ 27,521,468	
Less accumulated depreciation	<u>(4,523,155)</u>	22,998,313

Long-term liabilities are not due and payable in the current period expenditures and, therefore, are not reported in the governmental funds:

Bonds payable	\$ (9,806,920)	
Capital leases payable	(396,213)	
Compensated absences	<u>(405,152)</u>	(10,608,285)

Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.

Court fines receivable		647,294
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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		(12,268,377)
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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	\$ 589,137	
Deferred inflows of resources related to pensions	<u>(159,659)</u>	429,478

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	\$ 564,285	
Amounts owed to other funds	(22,833)	
Estimated claims payable	<u>(67,146)</u>	474,306

Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		(44,184)
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**Net position of governmental activities** **\$ 12,240,282**

*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 Balances  
Governmental Funds  
Year Ended September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 5,255,803	115,443	5,371,246
General sales taxes	2,305,610	-	2,305,610
Franchise fees	149,151	-	149,151
Licenses and permits	126,634	-	126,634
Intergovernmental	1,324,636	1,877,205	3,201,841
Charges for services	41,789	114,868	156,657
Fines and forfeitures	518,093	-	518,093
Investment earnings	96,540	58,301	154,841
Miscellaneous	89,563	2,051	91,614
Total revenues	<u>9,907,819</u>	<u>2,167,868</u>	<u>12,075,687</u>
<b>EXPENDITURES</b>			
General government	2,317,191	-	2,317,191
Public safety	5,671,239	236,785	5,908,024
Public works	398,531	465,054	863,585
Culture and recreation	699,029	732,285	1,431,314
Debt service:			
Principal	60,946	728,747	789,693
Interest and other fiscal charges	-	400,735	400,735
Total expenditures	<u>9,146,936</u>	<u>2,563,606</u>	<u>11,710,542</u>
Excess (deficiency) of revenues over expenditures	<u>760,883</u>	<u>(395,738)</u>	<u>365,145</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from bonds	-	4,390,000	4,390,000
Bond premiums	-	71,275	71,275
Proceeds from capital leases	143,888	-	143,888
Transfers in	860,487	4,801,299	5,661,786
Transfers out	(880,402)	(3,945,897)	(4,826,299)
Total other financing sources and uses	<u>123,973</u>	<u>5,316,677</u>	<u>5,440,650</u>
Net change in fund balances	884,856	4,920,939	5,805,795
Fund balances—beginning	<u>2,603,529</u>	<u>2,202,413</u>	<u>4,805,942</u>
Fund balances—ending	<u>\$ 3,488,385</u>	<u>7,123,352</u>	<u>10,611,737</u>

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

**City of Gautier, Mississippi**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance to the Statement of Activities**  
**Year Ended September 30, 2019**

**Net change in fund balances - total governmental funds** **\$ 5,805,795**

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

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

Capital outlay	\$	1,173,638	
Depreciation expense		<u>(575,118)</u>	598,520

In the Statement of Activities, only gains and losses from the sale 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 gain(loss). (23,418)

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

Bond proceeds			(4,390,000)
Bond premiums			(71,275)
Lease proceeds			(143,888)
Debt retirement			789,693

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting. 53,375

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			(307,287)
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The amortization of the discount and premium are treated as a reduction to expense on the statement of activities 1,485

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.

Change in accrued interest payable			(28,509)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is allocated to governmental activities 411,433

**Change in net position of governmental activities** **\$ 2,695,924**

*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, 2019**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Totals	
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 6,716,707	170,139	6,886,846	543,106
Customer accounts receivable, net	1,284,739	204,850	1,489,589	-
Premiums receivable	-	-	-	21,179
Intergovernmental	262,607	-	262,607	-
Due from other funds	-	216,327	216,327	-
<b>Restricted current assets</b>				
Cash	1,193,893	-	1,193,893	-
<b>Total current assets</b>	<u>9,457,946</u>	<u>591,316</u>	<u>10,049,262</u>	<u>564,285</u>
<b>Capital Assets, Net</b>				
Land	1,215,870	-	1,215,870	-
Construction in progress	910,099	-	910,099	-
Infrastructure	34,812,255	-	34,812,255	-
Machinery and equipment	456,235	3,694	459,929	-
Equipment under capital leases	2,848,348	-	2,848,348	-
<b>Total capital assets</b>	<u>40,242,807</u>	<u>3,694</u>	<u>40,246,501</u>	<u>-</u>
<b>Total assets</b>	<u>49,700,753</u>	<u>595,010</u>	<u>50,295,763</u>	<u>564,285</u>
<b>Deferred Outflows of Resources</b>				
Deferred amounts on pensions	37,604	-	37,604	-
<b>Total deferred outflows of resources</b>	<u>37,604</u>	<u>-</u>	<u>37,604</u>	<u>-</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Claims and wages payable	425,594	-	425,594	-
Accrued interest payable	132,191	-	132,191	-
Due to other funds	241,007	-	241,007	22,833
Claims and judgements payable	-	-	-	67,146
<b>Payable from restricted assets</b>				
Customer deposits	723,567	-	723,567	-
<b>Noncurrent Liabilities:</b>				
Net pension liability	397,844	-	397,844	-
<b>Due within one year</b>				
Capital debt	832,722	-	832,722	-
Noncapital debt	3,319	-	3,319	-
<b>Due in more than one year</b>				
Capital debt	11,534,896	-	11,534,896	-
Noncapital debt	13,569	-	13,569	-
<b>Total liabilities</b>	<u>14,304,709</u>	<u>-</u>	<u>14,304,709</u>	<u>89,979</u>
<b>Deferred Inflows of Resources</b>				
Deferred amounts on pensions	9,993	-	9,993	-
<b>Total deferred inflows of resources</b>	<u>9,993</u>	<u>-</u>	<u>9,993</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	27,875,189	3,694	27,878,883	-
<b>Restricted Net Position</b>				
Restricted for debt service	743,546	-	743,546	-
Restricted for grant/bond purposes	313,851	-	313,851	-
Unrestricted	6,491,069	591,316	7,082,385	474,306
<b>Total net position</b>	<u>\$ 35,423,655</u>	<u>595,010</u>	<u>36,018,665</u>	<u>474,306</u>

*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  
Year Ended September 30, 2019

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Totals	
Operating Revenues				
Charges for services	\$ 8,605,744	1,515,675	10,121,419	-
Employer contributions	-	-	-	1,470,266
Employee contributions	-	-	-	94,177
Insurance claim reimbursements	-	-	-	731,421
Miscellaneous	305,469	-	305,469	-
Total operating revenues	<u>8,911,213</u>	<u>1,515,675</u>	<u>10,426,888</u>	<u>2,295,864</u>
Operating Expenses				
Personnel services	824,926	-	824,926	-
Wastewater treatment	2,217,587	-	2,217,587	-
Privatization costs	2,184,561	-	2,184,561	-
Waste collection and disposal	-	1,217,207	1,217,207	-
Supplies	185,897	-	185,897	-
Repairs and maintenance	107,416	-	107,416	-
Other contractual services and charges	536,819	-	536,819	1,057
Insurance claims and expenses	-	-	-	1,886,389
Other services and charges	383,911	-	383,911	-
Depreciation	1,252,505	2,190	1,254,695	-
Total operating expenses	<u>7,693,622</u>	<u>1,219,397</u>	<u>8,913,019</u>	<u>1,887,446</u>
Operating income (loss)	<u>1,217,591</u>	<u>296,278</u>	<u>1,513,869</u>	<u>408,418</u>
Nonoperating Revenues (Expenses)				
Interest and investment revenue	181,766	-	181,766	3,015
Interest and debt expense	(505,906)	-	(505,906)	-
Grant revenue	323,151	-	323,151	-
Transfers in	6,186,296	-	6,186,296	-
Transfers out	(6,832,681)	(189,102)	(7,021,783)	-
Total nonoperating revenues (expenses)	<u>(647,374)</u>	<u>(189,102)</u>	<u>(836,476)</u>	<u>3,015</u>
Change in net position	570,217	107,176	677,393	411,433
Total net position—beginning	<u>34,853,438</u>	<u>487,834</u>	<u>35,341,272</u>	<u>62,873</u>
Total net position—ending	<u>\$ 35,423,655</u>	<u>595,010</u>	<u>36,018,665</u>	<u>474,306</u>

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

**City of Gautier, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2019**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Totals	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 8,620,154	1,636,071	10,256,225	-
Receipts from premiums	-	-	-	1,564,443
Payments to employees	(475,276)	(444)	(475,720)	928,443
Payments to suppliers	(185,897)	-	(185,897)	-
Payments to contractors	(4,698,126)	(1,217,207)	(5,915,333)	-
Other receipts (payments)	(216,378)	(124,609)	(340,987)	-
Payments for judgements and claims	-	-	-	(1,951,738)
Payments for administrative services	-	-	-	(1,057)
Net cash provided by operating activities	<u>3,044,477</u>	<u>293,811</u>	<u>3,338,288</u>	<u>540,091</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Grant revenue	323,151	-	323,151	-
Transfers to other funds	(646,385)	(189,102)	(835,487)	-
Net cash (used) by noncapital financing activities	<u>(323,234)</u>	<u>(189,102)</u>	<u>(512,336)</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(936,425)	-	(936,425)	-
Principal paid on debt	(2,423,722)	-	(2,423,722)	-
Interest and amortization on debt	(365,942)	-	(365,942)	-
Net cash (used) by capital and related financing activities	<u>(3,726,089)</u>	<u>-</u>	<u>(3,726,089)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>				
Interest and dividends	181,766	-	181,766	3,015
Net cash provided by investing activities	<u>181,766</u>	<u>-</u>	<u>181,766</u>	<u>3,015</u>
Net (decrease) in cash and cash equivalents	(823,080)	104,709	(718,371)	543,106
Balances—beginning of the year	<u>8,733,680</u>	<u>65,430</u>	<u>8,799,110</u>	<u>-</u>
Balances—end of the year	<u>\$ 7,910,600</u>	<u>170,139</u>	<u>8,080,739</u>	<u>543,106</u>

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

**City of Gautier, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**Year Ended September 30, 2019**

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,217,591	296,278	1,513,869	408,418
Adjustments to reconcile operating income to net cash provided by operating activities:				
Cash flows reported in other categories				
Depreciation expense	1,252,505	2,190	1,254,695	-
(Increase) decrease in assets:				
Accounts receivable, net	14,410	120,396	134,806	-
Grants receivable	(262,545)	-	(262,545)	-
Premiums receivable	-	-	-	196,598
Increase (decrease) in liabilities:				
Accounts payable	348,257	-	348,257	-
Wages payable	2,562	-	2,562	-
Internal activity	124,609	(124,609)	-	-
Compensated absences	(8,796)	-	(8,796)	-
Pension liabilities and deferrals	355,884	(444)	355,440	-
Claims and judgements payable	-	-	-	(64,925)
Net cash provided (used) by operating activities	<u>\$ 3,044,477</u>	<u>293,811</u>	<u>3,338,288</u>	<u>540,091</u>

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

**City of Gautier, Mississippi**  
Combining Statement of Assets and Liabilities  
Agency Funds  
September 30, 2019

	<u>Payroll Clearing Account</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>375,560</u>
Total Assets	<u><u>375,560</u></u>
<b>Liabilities</b>	
Due to other intra-entity government agencies	135,564
Accounts payable and accrued liabilities	<u>239,996</u>
Total Liabilities	<u><u>375,560</u></u>
<b>Net Position</b>	
Held in trust for benefits and other purposes	\$ <u><u>-</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**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.

**Joint Venture**

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

**B. Basis of Presentation**

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

B. Basis of Presentation (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, 2019

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

C. Measurement Focus and Basis of Accounting (continued)

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

The City reports the following major Governmental Funds:

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

Additionally, the City reports the following fund types:

*GOVERNMENTAL FUND TYPES*

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

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

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

*PROPRIETARY FUNDS*

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

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

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

*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.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

D. Account Classifications

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

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental bonds during the year.

F. Receivables

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

G. Inter-Fund Transactions and Balances

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

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

H. Intragovernmental Transactions and Balances

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

I. Capital Assets

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

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2019, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

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

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

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

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

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

J. Deferred Outflows/Inflows of Resources

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

J. Deferred Outflows/Inflows of Resources (continued)

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

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

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

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

K. Pensions

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

L. Long-term Liabilities

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

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

M. Compensated Absences

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

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

N. Fund Balance Policies

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

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

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

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

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

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

N. Fund Balance Policies (continued)

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

O. Net Position

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

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Property Tax Revenues

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

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

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

R. Use of Estimates

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

S. Change in Accounting Standard

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.

**Note 2 – Cash**

The carrying amount of the city’s total deposits with financial institutions at September 30, 2019, was \$19,155,826 and the bank balance was \$19,986,779. Of this amount \$1,388,688 is restricted for unemployment, utility customers’ deposits and debt service. 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).

A summary of cash at September 30, 2019 is as follows:

	<b>Deposits with Financial Institutions</b>		<b>Cash on Hand</b>	<b>Total</b>
	<b>Unrestricted</b>	<b>Restricted</b>		
<b>Governmental-type activities</b>				
General Fund	\$ 2,869,223	4,845	1,550	2,875,618
Other Governmental Funds	7,090,833	189,950	20	7,280,803
Self-Insurance Fund	543,106	-	-	543,106
Total governmental activities	<u>10,503,162</u>	<u>194,795</u>	<u>1,570</u>	<u>10,699,527</u>
<b>Business-type activities</b>				
Water & Sewer Fund	6,716,107	1,193,893	600	7,910,600
Solid Waste Fund	170,139	-	-	170,139
Total business-type activities	<u>6,886,246</u>	<u>1,193,893</u>	<u>600</u>	<u>8,080,739</u>
<b>Agency fund</b>	<u>375,560</u>	<u>-</u>	<u>-</u>	<u>375,560</u>
Total cash	<u>\$ 17,764,968</u>	<u>1,388,688</u>	<u>2,170</u>	<u>19,155,826</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**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, 2019, consisted of the following:

Taxes Receivable		
Property taxes		
Current	\$	65,283
For future reporting period		<u>4,813,810</u>
Total taxes receivable		<u>4,879,093</u>
Court fines receivable		12,945,878
Less: allowance for doubtful accounts		<u>(12,298,584)</u>
Total court fines receivable, net		<u>647,294</u>
Intergovernmental receivable		
Sales taxes		369,873
Franchise taxes		142,724
County road taxes		42,398
State grants and contributions		<u>141,017</u>
Total other taxes and grants		<u>696,012</u>
Total receivable - governmental activities	\$	<u><u>6,222,399</u></u>

B. Business-type Activities

Receivable in the business-type activities at September 30, 2019, consisted of the following:

Intergovernmental receivable		<u>262,607</u>
Customer accounts receivable		
Customer utility charges (billed)		3,234,811
Customer accounts, earned but unbilled		541,691
Less: allowance for doubtful accounts		<u>(2,286,913)</u>
Total customer accounts receivable, net		<u>1,489,589</u>
Total receivable - business-type activities	\$	<u><u>1,752,196</u></u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$2,164,641 at September 30, 2019 has been provided in the Water and Sewer Enterprise Fund and \$122,272 has been provided in the Solid Waste Enterprise Fund for estimated uncollectible utility charges for a total of \$2,286,913.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 4 – Interfund Transactions and Balances**

Government-wide Financial Statements

A. Interfund Transfers

At September 30, 2019, the City had the following transfers:

Transfer In	Transfer Out	Amount
Governmental Activities	Business-type Activities	\$ <u>835,487</u>

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

B. Intra-entity Balances

At September 30, 2019 the City had the following intra entity balances:

Due from other Government Agencies	Due to other Government Agencies	Amount
General Fund	Fiduciary Funds	\$ <u>135,564</u>

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

Fund Financial Statements

A. Due From/To Other Funds:

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

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 110,121
General Fund	Fiduciary Funds	135,564
General Fund	Water & Sewer Fund	47,513
Other Governmental Funds	General Fund	7,979
Solid Waste Fund	Self Insurance Fund	22,833
Solid Waste Fund	Water & Sewer Fund	<u>193,494</u>
Total		\$ <u>517,504</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

Fund Financial Statements (continued)

B. Transfers In/Out:

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

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 25,000
Other Governmental Funds	General Fund	880,402
General Fund	Water & Sewer Fund	646,385
General Fund	Solid Waste Fund	189,102
Other Governmental Funds	Other Governmental Funds	3,920,897
Water & Sewer	Water & Sewer	6,186,296
Total		\$ 11,848,082

**Note 5 – Capital Assets**

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Adjustments/ Disposals	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 6,128,137	100,000	-	6,228,137
Construction in Progress	581,158	552,144	-	1,133,302
Total capital assets not being depreciated	6,709,295	652,144	-	7,361,439
Capital assets being depreciated:				
Buildings & Improvements	2,942,307	205,000	-	3,147,307
Infrastructure	14,411,336	-	(20)	14,411,316
Machinery & Equipment	1,462,520	172,606	(29,011)	1,606,115
Equipment under Capital Leases	851,403	143,888	-	995,291
Total capital assets being depreciated	19,667,566	521,494	(29,031)	20,160,029
Less accumulated depreciation for:				
Buildings & improvements	578,262	60,213	(10,557)	627,918
Infrastructure	2,080,469	334,158	(979)	2,413,648
Machinery & Equipment	1,005,789	96,764	(3,045)	1,099,508
Equipment under Capital Leases	298,099	83,983	(1)	382,081
Total accumulated depreciation	3,962,619	575,118	(14,582)	4,523,155
Total capital assets being depreciated, net	15,704,947	(53,624)	(14,449)	15,636,874
Total governmental activities capital assets, net	\$ 22,414,242	598,520	(14,449)	22,998,313

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

Depreciation expense was charged to governmental functions as follows:

General Government	\$	38,049
Public Safety		115,981
Public Works		371,264
Culture & Recreation		49,824
	\$	<u>575,118</u>

**B. Business-type Activities**

The following is a summary of business-type capital assets activity for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Adjustments/ Disposals	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 1,215,870	-	-	1,215,870
Construction in Progress	66,500	843,599	-	910,099
Total capital assets not being depreciated	<u>1,282,370</u>	<u>843,599</u>	<u>-</u>	<u>2,125,969</u>
Capital assets being depreciated:				
Infrastructure	47,309,607	-	-	47,309,607
Machinery & Equipment	1,658,584	92,826	1	1,751,411
Equipment under Capital Leases	3,224,544	-	-	3,224,544
Total capital assets being depreciated	<u>52,192,735</u>	<u>92,826</u>	<u>1</u>	<u>52,285,562</u>
Less accumulated depreciation for:				
Infrastructure	11,393,461	1,103,891	-	12,497,352
Machinery & Equipment	1,215,919	75,565	(2)	1,291,482
Equipment under Capital Leases	300,957	75,239	-	376,196
Total accumulated depreciation	<u>12,910,337</u>	<u>1,254,695</u>	<u>(2)</u>	<u>14,165,030</u>
Total capital assets being depreciated, net	<u>39,282,398</u>	<u>(1,161,869)</u>	<u>3</u>	<u>38,120,532</u>
Total business-type activities capital assets, net	<u>\$ 40,564,768</u>	<u>(318,270)</u>	<u>3</u>	<u>40,246,501</u>

Depreciation expense was charged to business-type functions as follows:

Water and Sewer Fund	\$	1,252,505
Solid Waste Fund		2,190
Total depreciation - business-type activities	\$	<u>1,254,695</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

C. Construction in Progress/Commitments

Construction work in progress for the governmental and business-type activities of the City is composed of the following:

Project	Money Spent to Date	Remaining Commitment
Martin Bluff Widening	\$ 327,278	\$ 497,843
Emergency Watershed Protection Program	-	108,863
Martin Bluff Sidewalk	80,713	192,863
Bacot Park	35,000	93,500
Shephard State Park Welcome Center	480,570	21,725
Shephard State Park Marsh Boardwalk	36,050	40,950
City Park Walking Trail	107,320	72,234
Senior Coordinator Cottage	6,243	-
Town Commons Park	60,128	68,633
Total governmental activities	<u>\$ 806,024</u>	<u>\$ 68,633</u>
Elevated Water Tank-Enterprise Fund	132,000	1,212,000
Bemis Sewer Project	373,203	454,921
Hwy 57 Utility Relocate	145,710	240,606
Robinson Still Rd Water & Sewer	78,986	34,664
Water Supply and Treatment Plant	180,200	499,800
Total business-type activities	<u>\$ 910,099</u>	<u>\$ 2,441,991</u>

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

Court fines receivables are recorded as deferred inflow of resources 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, 2019, were \$12,945,878, of which an allowance of \$12,298,584 has been determined as uncollectible with \$647,294 deemed collectible.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**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, 2018, to January 1, 2019. 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, 2019, the amount of this liability was \$67,146.

		Amount
Liability at beginning of year	\$	132,495
Claims and changes of estimates		1,821,041
Claims payments		(1,886,390)
Liability at end of year	\$	67,146

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 8 – Retirement Plan**

A. Defined Benefit Pension 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).

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Defined Benefit Pension Plan (continued)

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 for the period of October 1, 2018 through June 30, 2019 was 15.75% of annual covered payroll. The employer's rate for the period of July 1, 2019 through September 30, 2019, 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.

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

At September 30, 2019, the City reported a liability of \$12,268,377 in the governmental activities and \$397,844 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, 2019, 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, 2019, the City's proportion was .072%. For the year ended September 30, 2019, the City recognized \$1,021,116 of PERS pension expense for governmental activities and \$400,339 for the business-type activities.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows 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	\$ 7,043	450	7,493
Changes of assumptions	116,730	7,451	124,181
Changes in proportion and differences between City contributions and Proportionate share on contributions	289,356	18,468	307,824
City's contributions subsequent to the measurement date	176,008	11,235	187,243
<b>Total</b>	<b>\$ 589,137</b>	<b>37,604</b>	<b>626,741</b>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Defined Benefit Pension Plan (continued)

At September 30, 2019, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 12,816	818	13,634
Net difference between projected and actual earnings on pension plan investments	130,260	8,314	138,574
Changes in proportion and differences between City contributions and proportionate share on contributions	16,583	861	17,444
Total	\$ 159,659	9,993	169,652

Deferred liabilities and assets, with the exception of differences between projected and actual investment earnings, are amortized over the average of expected remaining service lives. Differences between projected and actual investment earnings are amortized over 5 years.

Within the deferred outflows, a net amount of \$187,243 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, 2019.

The remaining amounts reported as deferred outflows of resources related to pensions of \$439,498 and deferred inflows of resources related to pensions of (\$169,850) netting to \$269,648 will be recognized in pension expense as follows:

Year Ending September 30,	
2020	\$ 200,361
2021	(92,466)
2022	103,924
2023	57,829
	269,648

*Actuarial assumptions*

The total pension liabilities in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Defined Benefit Pension Plan (continued)

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

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

The long-term expected rate of return on pension plan 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 pension plan 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 rates of return by the target asset allocation percentage and by adding expected inflation.

The most recent 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
US Broad	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Assets	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100.00 %	

*Discount rate*

The discount rate used to measure the total pension liability for PERS was 7.75 percent, which was based on the future long-term expected rate of return of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and that employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.4%) thereafter. 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.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Defined Benefit Pension Plan (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Proportionate share of PERS	\$ 16,650,186	\$ 12,666,221	\$ 9,377,815

*Pension plan fiduciary net position*

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

*Three-year Trend Information*

The following table provides the employer contribution to PERS for the last three fiscal years:

Fiscal Years Ending	Employer Contributions
2019	\$ 756,838
2018	722,163
2017	713,359

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 9 – Long-term Debt**

A. Governmental Activities

Transactions for the year ended September 30, 2019 are summarized as follows:

	Balance <u>10/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/2019</u>	Due Within <u>one Year</u>
General Obligation Bonds	\$ 5,280,000	-	(600,000)	4,680,000	630,000
Limited Obligation Bonds	-	4,390,000	-	4,390,000	-
Capital Improvement Loans	699,757	-	(32,627)	667,130	33,285
Capital Leases	409,391	143,888	(157,066)	396,213	197,609
Compensated Absences	376,956	28,196	-	405,152	45,009
Total	\$ <u>6,766,104</u>	<u>4,562,084</u>	<u>(789,693)</u>	<u>10,538,495</u>	<u>905,903</u>
Add:					
Bond Premium	-	71,275	(1,485)	69,790	-
Total	<u>6,766,104</u>	<u>4,633,359</u>	<u>(791,178)</u>	<u>10,608,285</u>	<u>905,903</u>

General Obligation Bonds, Series 2010 – In 2010, the City issued \$7,000,000 in general obligation bonds to be used for public improvements in the City. The bond is to be repaid over 20 years, maturing in August 2030 and carries a variable interest rate of 2.875% - 4.0%. Payment on this bond will be made from general ad valorem tax collections.

General Obligation – Katrina Loan Refunding Bond, Series 2010 – In 2010, the City issued \$2,360,000 in general obligation refunding bonds to be used to cover the costs associated with Hurricane Katrina for public improvements and repairs in the City. The bond is to be repaid over 10 years, maturing in 2020, and carries a fixed interest rate of 3.45%. Payment on this bond will be made from general ad valorem tax collections.

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 630,000	161,262	791,262
2021	370,000	145,868	515,868
2022	385,000	134,769	519,769
2023	405,000	122,256	527,256
2024	390,000	109,094	499,094
2025-2029	2,065,000	329,250	2,394,250
2030	435,000	17,400	452,400
\$	<u>4,680,000</u>	<u>1,019,899</u>	<u>5,699,899</u>

Capital Improvement Loan – In February 2017, the City received a \$763,087 capital improvement loan from the Mississippi Development Authority to be used to cover the costs associated with Allen Road. The bond is to be repaid over 18 years, maturing in 2036, and carries a fixed interest rate of 2.0%. Payment on this loan will be made from general ad valorem tax collections.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Governmental Activities (continued)

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

September 30,	Principal	Interest	Total
2020	\$ 33,285	13,039	46,324
2021	33,957	12,367	46,324
2022	34,643	11,681	46,324
2023	35,342	10,982	46,324
2024	36,055	10,269	46,324
2025-2029	191,491	40,129	231,620
2030-2034	211,612	20,007	231,619
2035-2036	90,745	1,903	92,648
\$	667,130	120,377	787,507

Special Assessment Debt with Commitments – In April 2019, the City issued \$4,390,000 in special assessment bonds, Series 2019, for public improvements. The bond is to be over 22 years, maturing in 2041 and carries an interest rate ranging from 3.0% to 4.0. For purposes of funding the Series 2019 Bond Fund (as defined in the City Bond Resolution), the City will levy a direct, continuing, and special tax upon all the taxable property within the geographical limits of the City. The tax is adequate and sufficient to provide for the payment of the principal and interest on the bonds.

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

September 30,	Principal	Interest	Total
2020	\$ -	151,082	151,082
2021	145,000	148,906	293,906
2022	150,000	144,482	294,482
2023	155,000	139,907	294,907
2024	160,000	135,182	295,182
2025-2029	895,000	577,407	1,472,407
2030-2034	1,065,000	403,734	1,468,734
2035-2039	1,255,000	212,036	1,467,036
2040-2041	565,000	19,863	584,863
\$	4,390,000	1,932,599	6,322,599

Capital Lease Obligations-Governmental Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of property	Governmental Activities
Mobile equipment	\$ 546,692
Pumper truck	448,599
Less: accumulated depreciation	(382,081)
Leased property under capital leases	\$ 613,210

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

A. Governmental Activities (continued)

The following is a schedule by years of the total payments due as of September 30, 2019:

September 30,	Principal	Interest	Total
2020	\$ 197,609	12,410	210,019
2021	148,422	6,875	155,297
2022	50,182	2,358	52,540
\$	<u>396,213</u>	<u>21,643</u>	<u>417,856</u>

B. Business-type Activities

Transactions for the year ended September 30, 2019 are summarized as follows:

	Balance 10/1/2018	Additions	Retirements	Balance 9/30/2019	Due Within one Year
Revenue Refunding Bonds	\$ 4,000,000	-	(135,000)	3,865,000	140,000
Revenue Bonds	1,390,000	-	(1,390,000)	-	-
Special Obligation Bonds	2,815,000	-	(145,000)	2,670,000	145,000
Revolving Loans	3,938,510	-	(432,367)	3,506,143	442,531
Capital Leases	2,631,876	-	(305,401)	2,326,475	105,191
Compensated Absences	12,842	4,046	-	16,888	3,319
Subtotal	<u>14,788,228</u>	<u>4,046</u>	<u>(2,407,768)</u>	<u>12,384,506</u>	<u>836,041</u>
Add: Bond Premium*	15,954	-	(15,954)	-	-
Total business-type activities	<u>\$ 14,804,182</u>	<u>4,046</u>	<u>(2,423,722)</u>	<u>12,384,506</u>	<u>836,041</u>

Water & Sewer Revenue Bonds, Series 2018 – In 2018, the City issued \$4,000,000 in revenue bonds. The bond is to be repaid over 20 years, maturing in 2038, and carries an average interest rate of 3.73%. Payments on this bond will be made from the net revenues of the Water and Sewer system operations.

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

September 30,	Principal	Interest	Total
2020	\$ 140,000	146,781	286,781
2021	145,000	140,656	285,656
2022	150,000	134,494	284,494
2023	160,000	128,118	288,118
2024	165,000	121,318	286,318
2025-2029	920,000	500,930	1,420,930
2030-2034	880,000	276,518	1,156,518
2035-2038	1,305,000	157,200	1,462,200
\$	<u>3,865,000</u>	<u>1,606,015</u>	<u>5,471,015</u>

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

B. Business-type Activities (continued)

Water & Sewer Revenue Refunding Bonds, Series 2012 – In 2012, the City issued \$9,185,000 in refunding bonds. These bonds were issued to refund the Revenue Bonds, Series 2001 in an effort to reduce total debt payments. The refunding decreased the City’s total debt service payments by approximately \$864,418. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$866,494. This bond was paid off in 2019 and carried a fixed interest rate of 2%. Payment on this bond was made from the net revenues from the Water and Sewer system operations.

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

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 145,000	117,706	262,706
2021	150,000	113,356	263,356
2022	155,000	108,856	263,856
2023	155,000	103,431	258,431
2024	170,000	97,813	267,813
2025-2029	955,000	372,688	1,327,688
2030-2033	940,000	120,000	1,060,000
\$	<u>2,670,000</u>	<u>1,033,850</u>	<u>3,703,850</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, 2019

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

B. Business-type Activities (continued)

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>
2020	\$ 442,531	78,594	521,125
2021	452,956	68,171	521,127
2022	463,646	52,079	515,725
2023	474,614	46,522	521,136
2024	485,864	35,261	521,125
2025-2029	1,186,532	55,289	1,241,821
\$	<u>3,506,143</u>	<u>335,916</u>	<u>3,842,059</u>

Capital Lease Obligations-Business-type Activities

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

<u>Classes of property</u>	<u>Business-type Activities</u>
Water meter project	\$ 3,224,544
Less: accumulated depreciation	<u>(376,196)</u>
Leased property under capital leases	<u>\$ 2,848,348</u>

The following is a schedule by years of the total payments due as of September 30, 2019:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 105,191	38,534	143,725
2021	215,637	71,811	287,448
2022	222,840	64,609	287,449
2023	230,283	57,166	287,449
2024	237,975	49,475	287,450
2025-2029	1,314,549	122,701	1,437,250
\$	<u>2,326,475</u>	<u>404,296</u>	<u>2,730,771</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, 2019, the amount of outstanding debt was equal to 8.2% of the latest property assessments.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

D. Compensated Absences

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

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

A. Property Tax Revenues

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2019 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 \$2,305,610.

**Note 11 – Tax Abatements**

In May of 2017, the City Council passed a Memorandum of Intent for a tax abatement to a developer through the Southern Mississippi Planning & Development District (SMPDD) Commercial Redevelopment Program. This program is subject to the requirements of GASB Statement #77. The program was authorized by the city council and is for a period of fifteen years. It provides the city remit 35% of the total verified sales tax increase to SMPDD, which in turn remits the proceeds to the developer. The payment to SMPDD for calendar year 19 sales tax was \$15, 340, and for calendar year 18 sales tax was \$15,809.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

**Note 12 – Commitments and Contingencies**

A. Risk Management

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

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

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

B. Commitments

Contract for Operations of Water and Wastewater Systems – In November of 2013, the City entered into a ten-year 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 \$170,691/month for the year ended September 30, 2019. 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, 2019 the City paid a total of \$2,124,061 to Clearwater Solutions, LLC under this contract.

Contract for Operations of Solid Waste Collections – In August of 2018, the City signed a contract with Waste Pro of MS, Inc. for the operations of solid waste collections. The fee under the contract is \$16.83 per contractual unit per month. The only adjustment to the compensation rate is from a fluctuation in the number of units received. The contract term is through September 16, 2024. During the fiscal year ended September 30, 2019 the City paid a total of \$1,215,917 to Waste Pro of MS, Inc. under this contract.

**Note 13 – Joint Venture**

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

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$2,217,587 for the year.

**City of Gautier, Mississippi**  
Notes to the Financial Statements  
September 30, 2019

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

As of the date of this report, the financial statements of the Jackson County Utility Authority had not been published; therefore, the following is a synopsis of the Authority’s financial statements as of and for the year ended September 30, 2018:

**CONDENSED STATEMENT OF NET POSITION**

ASSETS AND DEFERRED OUTFLOWS

Current assets	\$	3,757,905
Restricted assets		10,838,468
Investments		2,000,000
Capital assets, net		162,557,479
Deferred outflows		1,180,745
Total assets and deferred outflows		180,334,597

LIABILITIES AND DEFERRED INFLOWS

Current liabilities		6,240,471
Long-term liabilities		64,812,818
Deferred inflows		301,079
Total liabilities and deferred inflows		71,354,368

NET POSITION

108,980,229

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

Operating revenue	\$	16,066,067
Operating expenses		(20,867,086)
Nonoperating revenues		130,319
Nonoperating expenditures		(1,353,220)
Capital grants and contributions		1,052,846
Change in net position	\$	(4,971,074)

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 2019 financial statements should be soon 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, 2019

**Note 14 – Jointly Governed Organization**

Jointly Governed Organization - On November 2, 1970, the City entered into an agreement with the Board of Trustees of the Jackson George Regional Library System, the City of Moss Point, City of Pascagoula, City of Ocean Springs, City of Lucedale, and the Board of Supervisors of Jackson County to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Gautier has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$106,983 to the Library for the year ended September 30, 2019.

**Note 15– 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 24, 2020, (the date the financial statements were available to be issued) and determined the following noteworthy subsequent events.

On December 18, 2019, the City issued Combined Utility System Revenue Bonds, Series 2019, in the amount of \$6,000,000. Interest rates range from 2.5% to 3.375% for the Series 2019 bonds. The bonds mature in 2039. The bond issuance costs amounted to \$108,000.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**City of Gautier, Mississippi**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
General Fund  
Budget to Actual - (Prepared on the Budgetary Basis)  
Year Ended September 30, 2019

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property taxes	\$ 5,089,378	5,089,378	5,196,895	-	107,517
General sales tax	2,235,000	2,235,000	2,301,396	-	66,396
Fines and forfeitures	510,000	510,000	512,012	-	2,012
Licenses and permits	97,000	97,000	108,150	-	11,150
Intergovernmental	994,684	1,167,644	1,331,485	172,960	163,841
Franchise fees	148,000	148,000	148,698	-	698
Investment earnings	2,200	2,200	88,029	-	85,829
Miscellaneous	113,500	153,265	186,003	39,765	32,738
Total revenues	<u>9,189,762</u>	<u>9,402,487</u>	<u>9,872,668</u>	<u>212,725</u>	<u>470,181</u>
<b>Expenditures:</b>					
General government:					
Personnel services	1,531,594	1,454,749	1,410,713	76,845	44,036
Supplies	50,600	56,075	28,584	(5,475)	27,491
Other services and charges	1,006,485	1,037,369	865,866	(30,884)	171,503
Capital outlay	19,700	21,230	18,459	(1,530)	2,771
Total general government	<u>2,608,379</u>	<u>2,569,423</u>	<u>2,323,622</u>	<u>38,956</u>	<u>245,801</u>
Public safety:					
Personnel services	5,280,747	5,290,747	5,120,719	(10,000)	170,028
Supplies	277,367	297,827	259,473	(20,460)	38,354
Other services and charges	269,670	276,670	241,459	(7,000)	35,211
Capital outlay	142,000	158,650	86,022	(16,650)	72,628
Total public safety	<u>5,969,784</u>	<u>6,023,894</u>	<u>5,707,673</u>	<u>(54,110)</u>	<u>316,221</u>
Public works:					
Personnel services	289,738	228,978	224,336	60,760	4,642
Supplies	19,900	91,900	44,152	(72,000)	47,748
Other services and charges	177,570	178,870	121,262	(1,300)	57,608
Capital outlay	45,000	45,000	10,762	-	34,238
Total public works	<u>532,208</u>	<u>544,748</u>	<u>400,512</u>	<u>(12,540)</u>	<u>144,236</u>
Culture and recreation					
Personnel services	357,355	358,355	352,812	(1,000)	5,543
Supplies	57,000	82,915	70,846	(25,915)	12,069
Other services and charges	86,250	88,070	63,707	(1,820)	24,363
Capital outlay	85,100	220,960	213,823	(135,860)	7,137
Total culture and recreation	<u>585,705</u>	<u>750,300</u>	<u>701,188</u>	<u>(164,595)</u>	<u>49,112</u>
Debt service					
	<u>63,976</u>	<u>63,976</u>	<u>63,975</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>9,760,052</u>	<u>9,952,341</u>	<u>9,196,970</u>	<u>(192,289)</u>	<u>755,371</u>
Excess (deficiency) of revenues over expenditures	<u>(570,290)</u>	<u>(549,854)</u>	<u>675,698</u>	<u>20,436</u>	<u>1,225,552</u>

*The 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 (continued)  
Budget to Actual - (Prepared on the Budgetary Basis)  
Year Ended September 30, 2019

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Other Financing Sources (Uses):					
Proceeds from capital leases	\$ 200,000	200,000	143,888	-	(56,112)
Transfers in	830,923	860,487	860,487	29,564	-
Transfers out	(830,452)	(880,452)	(880,402)	(50,000)	50
Total other financing sources and uses	<u>200,471</u>	<u>180,035</u>	<u>123,973</u>	<u>(20,436)</u>	<u>(56,062)</u>
Net Change in Fund Balance - Budget	<u>(369,819)</u>	<u>(369,819)</u>	799,671	<u>-</u>	<u>1,169,490</u>

Net Change in fund balance - Budget-Cash Basis		\$ 799,671
Revenues per Cash-basis Budget	10,877,043	
Additional accrued revenues	<u>35,151</u>	35,151
Revenues per Fund Financial Statements	<u>10,912,194</u>	
Expenditures per Cash-basis Budget	10,077,372	
Additional accrued expenses	<u>(50,034)</u>	50,034
Expenditures per Fund Financial Statement	<u>10,027,338</u>	
Net Change in fund balance - Fund Financials		<u>\$ 884,856</u>

*The 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  
Year Ended September 30, 2019

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 City Manager submits to the City Council 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\*  
Year Ended September 30, 2019  
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.072%	0.070%	0.070%	0.067%	0.067%
City's proportionate share of the net pension liability (asset)	\$ 12,666,221	11,643,082	11,636,376	11,967,873	10,356,879
City's covered payroll	\$ 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	250.88%	257.78%	258.46%	280.33%	246.65%
Plan fiduciary net position as a percentage of the total pension liability	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 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\*  
Year Ended September 30, 2019  
(UNAUDITED)

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

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

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

**City of Gautier, Mississippi**  
Notes to the Required Supplementary Information  
Pension Schedules  
Year Ended September 30, 2019

Pension Schedules

**A. Changes in assumptions**

➤ 2019

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

➤ 2017

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

➤ 2016

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

**City of Gautier, Mississippi**  
Notes to the Required Supplementary Information  
Pension Schedules  
Year Ended September 30, 2019

Pension Schedules

**A. Changes in assumptions (continued)**

➤ 2015

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

**B. Changes in benefit provisions**

➤ 2016

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

***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, 2017 valuation for the June 30, 2019 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	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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SUPPLEMENTAL INFORMATION

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**City of Gautier, Mississippi**  
**Schedule of Surety Bonds**  
 (Required by the State of Mississippi)  
 Year Ended September 30, 2019

Position	Name	Amount
Mayor	Philip Henry Torjusen	\$ 100,000
Councilman	Adam Douglas Colledge	100,000
Councilman	Mary F Martin	100,000
Councilman	Cameron B George	100,000
Councilman	Richard Jackson	100,000
Councilman	Casey C Vaughan	100,000
Councilman	Charles Rusty Anderson	100,000
City Manager	Paula N Yancey	50,000
Police Chief	Dante L Elbin	50,000
City Clerk	Cynthia Russell	50,000
Comptroller	Teresa Montgomery	50,000
Asst Comptroller	Tara Tapper	50,000
Executive Asst	Emily Cumbest	50,000
Acctg/Personnel Clerk	Lekeisha Hill	50,000
Acctg/Personnel Clerk	Leoqueita Reddix	50,000
Administrative Clerk	Cora Floyd	50,000
Administrative Clerk	Rachel Honea	50,000
Administrative Clerk	Addie Bang	50,000
Administrative Clerk	Barbara Logan	50,000
Administrative Clerk	Brenda Greco	50,000
Purchasing Clerk	Sherry Farabee	50,000
Court Clerk	Michael Steward	50,000
Deputy Court Clerk	Bernadette Morrow	50,000
Records Clerk	Tina Hansen	50,000
Police	Daniel Selover	25,000
Dispatcher	Katherine Clifton	50,000
Dispatcher	Cameron Thigpen	50,000
Dispatcher	Susan Powell	50,000
Dispatcher	Jameika Henderson	50,000
Dispatcher	Danielle King	50,000
Dispatcher	Timothy Werner	50,000
Dispatcher	Brittany Worth	50,000
Dispatcher	Chasity McLendon	50,000
Dispatcher	Traci Webb	50,000
Park Attendant	Laquita Harris	50,000
Park Attendant	Kayla Ferreira	50,000
Park Attendant	Joan Craswell	50,000
Utility Services	Kim Sheppard	50,000
Utility Services	Darlene Brown	50,000
Utility Services	Debra Holmes	50,000
Utility Services	Melissa Chandler	50,000
Utility Services	Karen Kihyet	50,000
Utility Services	Summer Devine	50,000
Utility Services	Lauren Eshliman	50,000

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SPECIAL REPORTS

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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501 FAX  
NUMBER (228) 863-6544  
EMAIL: OFFICE@WWHGCPA.COM

**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  
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, the major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Gautier, Mississippi's basic financial statements, and have issued our report thereon dated July 24, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Gautier, Mississippi'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gautier, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gautier, Mississippi'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.

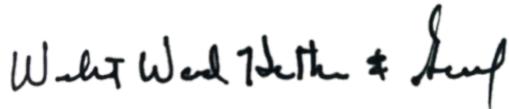
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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, Mississippi'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 entity'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 entity'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 & Guel  
Gulfport, MS  
July 24, 2020

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

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

CHRIS TAYLOR, CPA  
CHARLENE KERKOW, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAS  
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501 FAX  
NUMBER (228) 863-6544  
EMAIL: OFFICE@WWHGCPA.COM

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW  
MANAGEMENT REPORT**

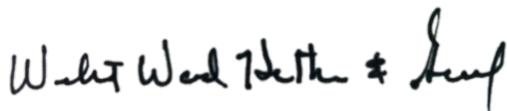
Honorable Mayor and  
City Council  
City of Gautier, Mississippi

In planning and performing our audit of the financial statements of the City of Gautier, Mississippi for the year ended September 30, 2019, we considered the City of Gautier, Mississippi'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 City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 24, 2020, on the financial statements of the City of Gautier, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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



Wright, Ward, Hatten & Guel  
Gulfport, MS  
July 24, 2020

City of Gautier, Mississippi  
Schedule of Findings and Questioned Costs  
September 30, 2019

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

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor’s report issued on the financial statements: | Unmodified    |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weaknesses identified?                           | No            |
|    | b. Significant deficiencies identified?                      | None Reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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