CITY OF GAUTIER, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2013

CITY OF GAUTIER, MISSISSIPPI
MUNICIPAL OFFICIALS
For the Year Ended September 30, 2013

OFFICIALS

Mayor	Gordon Gollott

CITY COUNCIL

Councilwoman	Mary Martin
Councilman	Johnny Jones
Councilman	Hurley Ray Guillotte
Councilman	Casey Vaughn
Councilman	Charles Anderson
Councilman	Adam Colledge

DEPARTMENT HEADS

City Attorney	Robert Ramsay
City Manager	Samantha Abell
City Clerk	Cindy Russell
Police Chief	Dante Elbin

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MEMBER: American Institute of CPA's
Mississippi Society of CPA's

LLOYD B. MARSHALL, JR.
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of and for the year ended September 30, 2013, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Capital Projects Funds	Unmodified
Water & Sewer Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Government-Wide Financial Statements and Proprietary Funds Financial Statements and Capital Assets Note to the Financial Statements

Because of the inadequacy of accounting records for the fiscal year ended September 30, 2013, that relate to the fixed assets, accumulated depreciation and depreciation expense, I was unable to form an opinion regarding those amounts and net assets invested in capital assets, net of related debt, for the Government-Wide Financial Statements, which includes amounts at which property and equipment and accumulated depreciation, and the amount of depreciation expense for the year then ended, as outlined in the Capital Assets Note to the Financial Statements, are recorded in the accompanying balance sheet at September 30, 2013, and the Proprietary Funds Financial Statements which includes amounts at which property and equipment and accumulated depreciation, and the amount of depreciation expense for the year then ended, as also outlined in the Capital Assets Note to the Financial Statements, are recorded in the accompanying balance sheet at September 30, 2013. As a result, I was unable to form an opinion on the respective net assets to which these balances are related.

Qualified Opinions

In My opinion, except for the effects of the matter described in the "*Basis for Qualified Opinions on Government-Wide Financial Statements and Proprietary Funds Financial Statements and Capital Assets Note to the Financial Statements*" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Gautier, Mississippi, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the General Fund, the Capital Projects Fund, the Water & Sewer Fund, the Solid Waste Fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of September 30, 2013, 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
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of City of Gautier as of and for the year ended September 30, 2013, and have issued my report thereon dated June 30, 2014, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In My opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matter

In my original report dated June 30, 2014, I indicated that the City of Gautier, Mississippi, did not present the management's discussion and analysis and the Budgetary Comparison Schedule - General Fund, the Schedule of Budget-to-Actual Reconciliation - General Fund, the Notes to Budgetary Comparison Schedule - General Fund and the Schedule of Budget-to-Actual Reconciliation - MS Development Bank Katrina Loan Fund. Accounting principles generally accepted in the United States of America require that the required supplemental information referred to above be presented to supplement the basic financial statements. As shown on pages 7 through 15 and 54 through 58, the City has presented the information which was not included in the original report dated June 30, 2014. Accordingly, my present comments on the required supplemental information have changed, and the current report has changed from the previous report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 30, 2014 on my consideration of the City of Gautier's internal control over financial reporting and on my 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's internal control over financial reporting and compliance.

Gautier, Mississippi
June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Gautier, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2013. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The City implemented Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999, for the first time during fiscal year 2004. As discussed in Footnote 1, Statement No. 34 allows for certain transition treatments in regards to infrastructure. As of fiscal year-end September 30, 2013, the City has not completed implementation for previously constructed infrastructure assets.

FINANCIAL HIGHLIGHTS

- In 2013 and 2012, the City's net position amounted to *$31,068,331* and *$27,419,091*, respectively. The net position for governmental activities totaled *$11,099,393* in 2013 and *$8,231,573* in 2012, contributing *35.73%* and *30.02%*, respectively, of the total net position; business-type activities contributed 64.27% and *69.98%*, totaling *$19,968,938* in 2013 and *$19,187,518* in 2012.

- General revenues for 2013 and 2012 were *$7,687,948* and *$7,645,641*, equaling *43.36%* and *41.08%* of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were *$10,616,948* and *$10,959,689*, equaling *58.33%* and *58.92%* of total revenues.

- In 2013 and 2012, the City had *$15,057,033* and *$15,926,170* in expenses, respectively; only *$10,044,587*and *$10,959,689* of these expenses were offset by program specific charges for services, grants and contributions.

- Capital assets, net of accumulated depreciation, totaled *$46,424,807* in 2013 and *$45,554,857* in 2012.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government- wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline both functions of the City and business-type activities.

The governmental activities of the City include police and fire protection, parks, recreation, public works, urban and economic development, and general administrative services. The business-type activities include the water and sewer system and its related projects.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund financial statements - Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of the following funds: governmental and proprietary (enterprise) funds.

Notes to the financial statements - The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 32-52 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A Budgetary Comparison Statement has been provided for the General Fund. This required supplementary information can be found on pages 54-60 of this report.

Reporting the City's Most Significant Funds

Fund financial statements begin on page 22 and provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two major types of funds are discussed below:

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in the reconciliation's found on pages 23 and 25.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities. Proprietary funds include the Water and Sewer and Sewer Expansion funds. Other nonmajor proprietary funds include the Solid Waste and Sewer Rehab funds which are combined into a single column on the proprietary fund financial statements. These funds are the same as the business-type activities reported in the government- wide financial statements but provide more detail and additional information, such as cash flows. The accrual basis of accounting is used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Net position may serve over time as a useful indicator of a government's financial position. The following table presents a summary of the City's net position for the fiscal years ended September 30, 2013 and 2012.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 4,511,450	4,076,521	7,027,017	3,845,348	11,538,467	7,921,869
Capital assets	15,364,245	13,885,323	31,060,562	31,669,534	46,424,807	45,554,857
Total assets	19,875,695	17,961,844	38,087,579	35,514,882	57,963,274	53,476,726
Long-term debt outstanding	7,584,519	8,415,104	15,741,653	14,046,808	23,326,172	22,461,912
Other liabilities	1,191,783	1,315,167	2,376,988	2,280,556	3,568,771	3,595,723
Total liabilities	$ 8,776,302	9,730,271	18,118,641	16,327,364	26,894,943	26,057,635
Net position:						
Invested in capital assets, net of debt	$ 6,800,456	4,655,983	13,510,231	15,930,347	20,310,687	20,586,330
Restricted	2,568,497	2,569,532	4,567,517	1,330,819	7,136,014	3,900,351
Unrestricted	1,730,440	1,006,058	1,891,190	1,926,353	3,621,630	2,932,411
Total net position	$11,099,393	8,231,573	19,968,938	19,187,519	31,068,331	22,754,253

The City's restricted net position accounted for 22.97% of total net position in 2013, and 14.22% in 2012. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 65.37% of total net position in 2013 and 75.08% in 2012, respectively. The remaining balance consisted of unrestricted net position, is the part of net position used to finance everyday operations without constraints of legal requirements.

The following are significant transactions that have had an impact on the Statement of Net Position.

• In 2004, the City implemented the new standards of GASB 34 which requires it to report and depreciate new and old infrastructure assets [e.g. roads, bridges, underground pipes (other than utilities), traffic signals, etc]. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal years ended in 2006. As of September 30, 2013, the City had not implemented retroactive reporting of infrastructure.

Changes in net position - The City's total revenues for the fiscal years ended September 30, 2013 and 2012 were $18,201,690 and $18,608,482, respectively. The total cost of all programs and services was $15,057,033 and $15,926,170. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2013 and 2012.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	$ 892,175	893,524	7,010,351	7,499,264	7,902,526	8,392,788
Operating Grants and Contributions	414,989	108,143	105,686	185,965	520,675	294,108
Capital Grants And contributions	1,621,836	2,272,793	-	-	1,621,836	2,272,793
General Revenues						
Property Taxes	3,989,866	3,928,370	-	-	3,989,866	3,928,370
Franchise Taxes	166,565	157,727	-	-	166,565	157,727
Intergovernmental Revenues	3,022,351	2,936,882	-	-	3,022,351	2,936,882
Other general revenues	509,166	622,662	468,705	3,152	977,871	625,814
Total revenues	$ 10,616,948	10,920,101	7,584,742	7,688,381	18,201,690	18,608,482

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Expenses						
General Government	$ 2,300,198	2,302,868	-	-	2,300,198	2,302,868
Public Safety	5,610,620	5,888,087	-	-	5,610,620	5,888,087
Public Works	700,346	1,330,505	-	-	700,346	1,330,505
Culture & Recreation	336,574	184,441	-	-	336,574	184,441
Capital Outlay	-	-	-	-	-	-
Debt Service-interest	294,560	372,814	-	-	294,560	372,814
Water and Sewer Fund	-	-	4,787,422	4,438,274	4,787,422	4,438,274
Solid waste	-	-	1,027,313	1,344,836	1,027,313	1,409,181
Total expenses	$ 9,242,298	10,078,015	5,814,735	5,847,455	15,057,033	15,926,170
Increase in net position	$ 1,374,650	841,386	1,770,007	1,840,926	3,144,657	1,982,521

Governmental activities

The following table presents the cost of major City functional activities: general government, public safety, public works, culture and recreation, urban and economic development, capital outlay, and debt service-interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

Governmental Activities

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
General Government	$ 2,300,198	(186,082)	2,302,868	51,058
Public Safety	5,610,620	(4,795,736)	5,888,087	(4,967,553)
Public Works	700,346	(700,346)	1,330,505	(1,330,505)
Culture & Recreation	336,574	(336,574)	184,441	(184,441)
Capital Outlay	-	-	-	-
Debt Service-interest	294,560	(294,560)	372,814	(372,814)
Total expenses	$ 9,242,298	(6,313,298)	10,211,254	(7,942,898)

Business-type activities

The City's business-type activities generated a change in net position of $1,770,007 during the fiscal year ending September 30, 2013. This represents a decrease of approximately $70,919 from the change during the previous year. The factors contributing to this decrease included:

• The Water and Sewer Fund had a decrease in service charges of approximately $488,913.

• The Water and Sewer Fund had a decrease in grant revenues of approximately $ 80,279 .

• The City had an increase in other revenues of approximately $ 352,057.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the City completed the year, its governmental funds reported a combined fund balance of $4,511,450, compared to $4,076,251 in the prior year. Activities within the general fund contributed to approximately 38.54% in 2013 and 30.02% in 2012 of the fund balances, respectively. Other items that influenced the fund balances are as follows:

• The City received approximately $ 2.1 million in grant revenues, which represents a decrease of approximately 4.75 % from the previous year.

General Fund Budgetary Highlights

Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Council made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, or 3) the Council approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were $ 8,665,453 compared to $ 9,184,995 in the budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided on pages 54-58 of this report as required supplementary information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's total capital assets for 2013 and 2012 were $46,424,807 and $45,554,857, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's capital net assets for the fiscal years ended September 30, 2013 and 2012.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 798,104	798,104	1,190,870	1,188,570	1,988,974	1,986,674
Construction in progress	5,026,850	3,021,932	-	-	5,026,850	3,021,932
Buildings and improvements	2,282,268	2,341,687	1,728,595	1,792,891	4,010,863	4,134,578
Machinery and Equipment	3,103,038	3,519,356	122,670	308,151	3,225,708	3,827,507
Utility System	-	-	28,018,427	28,379,922	28,018,427	28,379,922
Infrastructure	4,153,985	4,204,244			4,153,985	4,204,244
Total	$15,364,245	13,885,323	31,060,562	31,669,534	46,424,807	45,554,857

Major projects over the past three years have included:

	Completed Through September 30, 2013	Remaining Commitment
Government and business-type activities:		
Allen Road Water and Sewer Expansion	$ 451,377	-
Lift Station Upgrade	2,503,100	-
Water Improvements - Old Spanish Trail	2,527,999	-
Highway 90/57 Sewer System Expansion	6,631,715	-
Streetscape Project	3,021,932	2,409,196
Martin Bluff Road Improvements	239,011	

Debt Administration At September 30, 2013, the City had $26,150,272 in general obligation bonds and other long-term debt outstanding, of which $ 2,787,949 is due within one year.

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds (backed by the City)	$ 6,250,000	6,515,000	11,415,000	9,185,000	17,665,000	15,700,000
Revenue Bonds and Notes (backed by specific tax and fee revenues)	2,076,968	2,714,341	6,107,763	6,554,187	8,784,731	9,268,528
Compensated absences	271,978	309,109	28,563	34,358	300,541	343,467
Total	$ 8,598,946	9,538,450	17,551,326	15,773,545	26,150,272	25,311,995

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On August 29, 2005, the City was severely impacted by Hurricane Katrina. The City is in the continuing process of rebuilding, which will be the case for some years. The City has used federal grants, insurance reimbursements and loans to help with these rebuilding costs.

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013 budget, tax rates, and fees to be charged for business-type activities. The local economy continues its slow recovery from the loss of several major industries and revenues lost due to Hurricane Katrina, but the prospects for new industries are improving. This is evidenced by the Council utilizing the City's financial leverage in issuing seven million dollars of General Obligation Bonds last year for a New Police Station and other improvements to provide for a platform for continuing economic development, and the issuance in the previous Fiscal Year of a Refunding Bond saving the City anticipated interest charges. Also in September of 2012, the City adopted its first ever five year strategic plan. The City also privatized its public works resulting in savings of hundreds of thousands of dollars.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or needed additional financial information, contact the Comptroller's Office at 3330 Hwy 90, Gautier, Mississippi or tmontgomery@gautier-ms.gov.

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF GAUTIER, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,899,761	1,264,341	3,164,102
Restricted cash and cash equivalents	1,957,364	5,103,374	7,060,738
Receivables, net	654,325	659,302	1,313,627
Internal Balances	-	-	-
Capital assets:			
Land & Construction in Progress	5,824,954	1,190,870	7,015,824
Other capital assets, net of Depreciation	9,539,291	29,869,692	39,408,983
Total capital assets	15,364,245	31,060,562	46,424,807
Total assets	19,875,695	38,087,579	57,963,274
LIABILITIES			
Accounts payable	96,970	11,120	108,090
Accrued Expenses & Interest Payable	80,386		80,386
Compensated absences, current	35,157	994	36,151
Customer deposits	-	556,195	556,195
Long-term liabilities:			
Due within one year	979,270	1,808,679	2,787,949
Due in more than one year	7,584,519	15,741,653	23,326,172
Total liabilities	8,776,302	18,118,641	26,894,943
NET POSITION			
Investment in capital assets (net of related debt)	6,800,456	13,510,231	20,310,687
Restricted :			
Debt service	2,460	3,620,956	3,623,416
Bond contingency fund	2,566,037	946,561	3,512,598
Unrestricted	1,730,440	1,891,190	3,621,630
Total net position	$11,099,393	19,968,938	31,068,331

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

CITY OF GAUTIER, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

		Program Revenue			Net (expense) revenue and changes in net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General Government	$ 2,300,198	77,291	414,989	1,621,836	(186,082)	-	(186,082)
Public Safety	5,610,620	814,884	-	-	(4,795,736)	-	(4,795,736
Public Works	700,346	-	-	-	(700,346)	-	(700,346)
Culture and Recreation	336,574	-	-	-	(336,574)	-	(336,574)
Debt service – interest	294,560	-			(294,560)		(294,560)
Total Government Activities	$ 9,242,298	892,175	414,989	1,621,836	(6,313,298)	-	(6,313,298)
Business-type activities:							
Water & Sewer Fund	4,787,422	5,763,569	65,989	-	-	1,042,136	1,042,136
Solid Waste	1,027,313	1,246,782	39,697	-	-	259,166	59,166
Total Business-type Activities	5,814,735	7,010,351	105,686	-		1,301,302	1,301,302
Total Primary	$15,057,033	7,902,526	520,675	1,621,836	(6,313,298)	1,301,302	(5,011,996)
			General Revenues:				
			Property Taxes		3,989,866	-	3,989,866
			Franchise Taxes		166,565	-	166,565
			Intergovernmental		3,022,351	-	3,022,351
			Interest Income		4,380	3,599	7,979
			Miscellaneous		504,786	465,106	969,892
			Transfers & Special Item				
			Transfers		988,587	(988,587)	
			Special Item – CDL Loan Forgiven		321,803		321,803
			Total Revenues, Transfers And Special Item		8,998,338	(519,882)	8,478,456
			Changes in Net Position		2,685,040	781,420	3,466,460
			Net Position, beginning		8,231,573	19,187,518	27,419,091
			Prior Period Adjustment		182,780		182,780
			Net position, as restated		8,414,353	19,187,518	27,601,871
			Net Position, ending		$11,099,393	19,968,938	31,068,331

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF GAUTIER, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$1,084,189	-	815,572	1,899,761
Receivables, net	654,325	-		654,325
Due From (To)	-		-	-
Total current assets	1,738,514	-	815,572	2,554,086
Noncurrent assets:				
Restricted cash	-	1,957,364	-	1,957,364
Total assets	$ 1,738,514	1,957,364	815,572	4,511,450
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 73,587	14,806	8,577	96,970
Other accrued liabilities	80,386	-		80,386
Compensated absences, Current	35,157	-		35,157
Total liabilities	189,130	14,806	8,577	212,513
Fund balances:				
Reserved for:				
Debt service	-	1,942,558	-	1,942,558
Unreserved:				
General fund	1,549,384	-	-	1,549,384
Special revenue funds	-	-	806,995	806,995
Total fund balances	1,549,384	1,942,558	806,995	4,298,937
Total liabilities and fund balances	$ 1,738,514	1,957,364	815,572	4,511,450

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

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2013

Total governmental funds balance		$ 4,298,937

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

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

Governmental capital assets	$ 20,637,859	
Less: accumulated depreciation	(5,273,613)	15,364,246

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

Bonds and notes	(8,326,969)
Compensated absences	(236,821)
Net assets of governmental activities	**$ 11,099,393**

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

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 3,878,034	-	111,832	3,989,866
Franchise fees	166,565	-	-	166,565
Fees and fines	753,453	-	61,431	814,884
Licenses and permits	77,291	-	-	77,291
Intergovernmental	2,923,368	-	98,983	3,022,351
Interest income	2,018	2,362		4,380
Grants	1,421,439	242,909	372,476	2,036,824
Miscellaneous	426,903		162,095	588,998
Total revenues	9,649,071	245,271	806,817	10,701,159
EXPENDITURES				
Current:				
General government	2,260,031	3,035		2,263,066
Public safety	4,847,643	-	5,489	4,853,132
Public works	468,396	-	92,704	561,100
Culture and recreation	176,426	-	160,148	336,574
Debt service:				
Interest and fiscal charges	196,283	763,054	-	959,337
Capital outlay	1,165,708	839,210	402,314	2,407,232
Total expenditures	9,114,487	1,605,299	660,655	11,380,441
Excess of revenues over (under) expenditures	534,584	(1,360,028)	146,162	(679,282)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	220,497	733,054	35,036	988,587
Total other financing sources (uses)	220,497	733,054	35,036	988,587
Net changes in fund balances	755,081	(626,974)	181,198	309,305
Fund balance - beginning of year	611,524	2,569,532	625,797	3,806,853
Prior period adjustment	182,779			182,779
Fund balance - end of year	$1,549,384	1,942,558	806,995	4,298,937

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

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds		**$ 309,305**
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. Also, transfers out are not recorded.		
Capital outlay	$2,407,232	
Depreciation	(928,309)	
Excess of depreciation expense over capital outlay		1,478,923
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Special Item – CDL Loan forgiven		321,803
Net Adjustments for compensated absences		(5,558)
Principal paid on debt		664,778
New loan for Command Vehicle		(84,211)
		2,375,735
Changes in net position of governmental activities		**$ 2,685,040**

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,260,825	3,516	1,264,341
Accounts receivable, net	659,302	-	659,302
Due (to) from other Funds	(103,948)	103,948	
Total current assets	1,816,179	107,464	1,923,643
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	5,103,374	-	5,103,374
Capital assets:			
Land	1,190,870	-	1,190,870
Other capital assets, net of accumulated depreciation	29,851,983	17,709	28,869,692
Total noncurrent assets	36,146,227	17,709	36,163,936
Total assets	37,962,406	125,173	38,087,579
LIABILITIES			
Current liabilities:			
Accounts payable	11,120		11,120
Due to Other Funds	-		-
Compensated absences payable	994		994
Bonds and notes payable	1,808,679	-	1,808,679
Payable from restricted assets:			
Customer deposits	556,195	-	556,195
Total current liabilities	2,376,988	-	2,376,988
Noncurrent liabilities:			
Compensated absences	27,568	-	27,568
Bonds and notes payable	15,714,084	-	15,714,084
Total noncurrent liabilities	15,741,652	-	15,741,652
Total liabilities	18,118,640	-	18,118,640
NET POSITION			
Invested in capital assets, net of related debt	13,492,522	17,709	13,510,231
Restricted:			
Debt service	3,620,956	-	3,620,956
Bond contingency fund	946,561	-	946,561
Unrestricted	1,783,726	107,464	1,891,190
Total net position	$ 19,843,765	125,173	19,968,938

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

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 5,763,569	1,246,782	7,010,351
Grants	65,989	39,697	105,686
Other	465,106	-	465,106
Total operating revenues	6,294,664	1,286,479	7,581,143
OPERATING EXPENSES			
Personnel services	314,372	7,660	322,032
Wastewater treatment	1,235,736	-	1,235,736
Waste collections and disposals	-	1,001,770	1,001,770
Utilities	198,196	-	198,196
Supplies	142,028	-	142,028
Maintenance and repairs	37,576	-	37,576
Depreciation	660,721	9,621	670,342
Other services and charges	1,876,734	8,262	1,884,996
Total operating expenses	4,465,363	1,027,313	5,492,676
Operating income (loss)	1,829,301	259,166	2,088,467
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,599	-	3,599
Interest expense	(322,059)	-	(322,059)
Net nonoperating revenues (expenses)	(318,460)	-	(318,460)
CAPITAL CONTRIBUTIONS & TRANSFERS			
Transfer In (Out)	(708,860)	(279,727)	(988,587)
Changes in net position	801,981	(20,561)	781,420
Net position - beginning of year	19,041,784	145,734	19,187,518
Net position - end of year	$ 19,843,765	125,173	19,968,938

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

CITY OF GAUTIER, MISSISSIPPI
RECONCILIATION OF THE PROPRIETARY FUNDS NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2013

Total Proprietary Fund net position	**$19,968,938**
Differences in Interfund Balances	0
Net assets of proprietary activities on government-wide statement of net position	**$19,968,938**

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

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	$ 5,623,417	1,211,802	6,835,219
Cash received from grants	65,990	39,697	105,687
Payments for goods and services	(3,419,658)	(1,010,132)	(4,429,790)
Payments to employees	(320,167)	(7,660)	(327,827)
Other receipts	511,178	-	511,178
Net cash provided (used) in operating Activities	2,460,760	233,707	2,694,467
Cash flows from noncapital financing activities:			
Decrease in customer Deposits & other activities	(46,937)	-	(46,937)
Net cash provided (used) by noncapital financing activities	(46,937)	-	(46,937)
Cash flows from capital and related financing activities:			
Increase in Capital Debt	3,500,000	-	3,500,000
Transfers	(708,860)	(279,627)	(988,487)
Purchase and construction of capital assets	(61,370)	-	(61,370)
Principal paid on capital debt	(1,716,425)	-	(1,716,425)
Interest paid on capital debt	(322,059)	-	(322,059)
Investments in restricted cash	(3,772,555)	-	(3,772,555)
Net cash used in capital and related financing Activities	(3,081,269)	(279,627)	(3,360,896)
Cash flows from investing activities:			
Interest received	3,599	-	3,599
Net cash provided by investing activities	3,599	-	3,599
Net change in cash and cash equivalents	(663,847)	(45,920)	(709,767)
Cash and cash equivalents:			
Beginning of the year	1,924,672	49,436	1,974,108
End of the year	$1,260,825	3,516	1,264,341

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

CITY OF GAUTIER, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	Water and Sewer Fund	Solid Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 1,829,301	259,166	2,088,467
Adjustments to reconcile operating (income) loss to net cash			
Depreciation expense	660,721	9,621	670,342
Increase (Decrease) in current assets:			
Accounts receivable & prepaids	(14,933)	(35,080)	(50,013)
(Increase) Decrease in current liabilities:			
Accounts payable	871		871
Other liabilities	(15,200)	-	(15,200)
Net cash provided by (used in) operating Activities	$ 2,460,760	233,707	2,694,467

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gautier, Mississippi was incorporated on June 17, 1986. The City operates under a Council-Manager form of government described under Title 21, Chapter 9, of the Mississippi Code of 1972. The City provides the following services, as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water, sewer and gas system.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City with the option of electing to apply FASB pronouncements issued after that date. The City has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City implemented the general provisions of GASB Statement Nos. 33 and 34 during fiscal year ended September 30, 2004.

A. Financial Reporting Entity

These financial statements present the City (the primary government) only. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

-the organization is legally separate (can sue and be sued in their own name)
-the City holds the corporate powers of the organization
-the City appoints a voting majority of the organization's board
-the City is able to impose its will on the organization
-the organization has the potential to impose a financial benefit/burden on the City
-there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Gautier has no component units.

B. Basic Financial Statements - Government-wide statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer system and solid waste management services are classified as business-type activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, culture and recreation, etc.). The functions are also supported by general governmental revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Government-Wide Statement of Activities reduces gross expenses (including depreciation) by related program revenues and by operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital- specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the Water and Sewer Fund to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by genetic classification within the financial statements.

Governmental Funds:

The focus of governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds include: Fire Protection Fund, Recreation Fund, Tideland Grant Fund, etc.

3. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

4. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The City had capital projects funds during the year ended September 30, 2013.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

1. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. These funds include: Water and Sewer System Fund, Solid Waste Fund and related projects.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Capital Assets:

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings 20-50 years Water and sewer system 30-35 years Machinery and equipment 7-10 years Improvements 30-35 years Other infrastructures 10-60 years Vehicles 5 years GASB Statement No. 34 required the City to report and depreciate new infrastructure assets beginning in 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal years ended in 2006. As of the year ending September 30, 2012, the City has not implemented retroactive infrastructure reporting. The City implemented the general provisions of GASB No. 34 during 2004.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses, and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures:

Expenditures are recognized when the related fund liability is incurred.

Compensated Absences:

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years generally. Upon termination, pursuant to State Law, the City may pay up to 30 days of accumulated vacation ; the balance is credited to the employee's public retirement (PERS) account.

Sick leave is not paid upon termination. The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity:

Interfund activity consists of loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally-required funds used by the City include the following:

Fund:	Required By:
CDBG Fund	Grant Agreement
Water & Sewer Fund	Trust Indenture
Solid Waste Fund	State Law

B. Deposits and Investments - Laws and Regulations

State law requires that all deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are 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 FDIC. The City's deposits were fully insured or collateralized as required by statute at September 30, 2013. At year-end, the respective bank balances totaled $7,002,772. There were no certificates of deposit outstanding at September 30, 2013.

C, Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restrictions in Use:
Sales Tax	Sewer Rehabilitation Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Road Purposes
Water and Sewer Revenue	Debt Service and Utility Operations
Grant Program Expenditures	Grant Agreements
Ad Valorem Tax	Debt Service

For the year ended September 30, 2013 the City complied, in all material respects, with these revenue restrictions.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

D. Debt Restrictions and Covenants

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

The City deposits funds in financial institutions selected by the City's Councilmen in accordance with Mississippi statutes. Allocation of the resulting balance is accomplished with inter-bank transfers. Approved city depositories for the calendar years 2012-2013 were as follows:

	Allocation Percentage
Hancock Bank	52%
Merchant and Marine Bank	38%
Peoples Bank	10%
	100%

By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2012, fall into the credit risk category of "Insured or collateralized with securities held by the entity or its agent in the entity's name."

Deposits at September 30, 2013, (including restricted deposits) were as follows:

	Bank Balances
Pooled deposits:	
Cash and cash equivalents	$ 3,723,462
Non-pooled deposits:	
Cash and cash equivalents:	
Capital Improvement Bond Fund	1,954,904
Debt Service Funds	1,192,920
Contingency Fund	484,742
MS Development Loans	2,868,812
	$ 10,224,840

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Restricted Cash

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) related to their required note payable accounts and amounts held in trust for customer utility meter deposits.

The restricted assets as of September 30, 2013, were as follows:

Types of Restricted Assets	Cash Including Time Deposits
Capital Improvement Bond Fund	$ 1,954,904
Meter Deposit Fund	561,359
Bond Contingency Funds	757,090
Series 2012 Utility System Refunding Bond	820,573
Series 2013 Bond Fund	2,964,352
2008 MS Development Loan	2,460
	$ 7,060,738

C. Accounts Receivable

Accounts receivable at September 30, 2013, consisted of the following:

	Accounts Receivable	Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental activities:			
General Fund:			
Ad valorem taxes	$ 63,112	-	63,112
Municipal court	6,598,499	6,341,157	257,342
Sales tax	283,622	-	283,622
Grants	50,249	-	50,249
Total General Fund	6,995,482	6,341,157	654,325
Business-type activities:			
Enterprise Fund:			
Water and sewer collections	2,541,852	1,882,550	659,302
Total business-type activities	2,541,852	1,882,550	659,302
Total government-wide activities	$ 9,537,334	8,223,707	1,313,627

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

Capital assets have not been audited.
Capital assset activity for the year ended September 30, 2013, was as follows:

	Primary Government			
	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	798,104			798,104
Construction in Progress	3,021,932	2,004,918		5,026,850
Total capital assets not being depreciated	3,820,036	2,004,918	0	5,824,954
Capital assets being depreciated:				
Buildings & Improvements	2,841,253	22,400		2,863,653
Machinery & Equipment	7,250,750	343,064		7,593,814
Infrastructure	4,318,588	36,850		4,355,438
Total capital assets being depreciated	14,410,591	402,314	0	14,812,905
Less accumulated depreciation for:				
Buildings & improvements	(499,566)	(81,819)		(581,385)
Machinery & Equipment	(3,731,394)	(759,382)		(4,490,776)
Infrastructure	(114,344)	(87,109)		(201,453)
Total accumulated depreciation	(4,345,304)	(928,310)	0	(5,273,614)
Total Capital assets being depreciated, net	10,065,287	-525,996	0	9,539,291
Total governmental activities capital assets, net	13,885,323	1,478,922	0	15,364,245
Business-type Activities:				
Capital Assets not being Depreciated:				
Land & Easements	1,188,570	2,300		1,190,870
Construction in Progress	0			0
Total capital assets not being depreciated	1,188,570	2,300	0	1,190,870
Capital assets being depreciated:				
Buildings & improvements	2,223,960			2,223,960
Machinery & Equipment	1,897,337	59,070		1,956,407
Infrastructure	42,123,637			42,123,637
Total capital assets being depreciated	46,244,934	59,070	0	46,304,004
Less accumulated depreciation for:				
Buildings & improvements	(431,069)	(64,296)		(495,365)
Machinery & Equipment	(1,589,186)	(244,551)		(1,833,737)
Utility System	(13,743,715)	(361,495)		(14,105,210)
Total accumulated depreciation	(15,763,970)	(670,342)	0	(16,434,312)
Total Capital assets being depreciated, net	30,480,964	(611,272)	0	29,869,692
Total business-type activities capital assets, net	31,669,534	(608,972)	0	31,060,562
Primary Government				
Total capital assets, net	45,554,857	869,950	0	46,424,807

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A summary of general fixed assets transactions for the year ended September 30, 2013, follows:

	Expended through September 30, 2013	Remaining Commitment
Government Activities		
Construction in Progress at 09-30-13	5,026,850	2,409,196
Additions to Construction in Progress	2,004,918	
Machinery & equipment purchased	343,064	
Infrastructure added	36,850	
Building Improvement	22,400	
Total	2,407,232	

Depreciation expense was charged to functions/programs for the year ended September 30, 2013, as follows:

Governmental activities:	
General government	$ 928,310
Business-type activities:	
Water and Sewer Fund	$ 660,721
Solid Waste Fund	9,621
Total business-type activities depreciation expense	$ 670,342

E. Accounts Payable

Payables are composed of amounts due to vendors within 60 days of year end and accrued salaries and benefits.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Long-Term Debt

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2013, is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 9,229,340	84,211	986,583	8,326,968	979,270
Compensated absences	309,110		37,132	271,978	35,157
Total governmental activities long-term liabilities	$ 9,538,450	84,211	1,023,715	8,598,946	1,014,427
Business-type activities:					
Water and sewer debt	$15,739,188	3,500,000	1,716,425	17,522,763	1,808,679
Compensated absences	34,358		5,795	28,563	994
Total business-type activities long-term liabilities	$15,773,546	3,500,000	1,722,220	17,551,326	1,809,673

Description of Debt

At September 30, 2013, notes payable consisted of the following individual issues:

	General Long-Term Debt
Governmental activities:	
General obligation bonds and notes:	
General Obligation Katrina Refunding Bond Series 2010; bearing interest at 3.45%, maturing March 2020	$ 1,735,000
General Obligation Bond Series 2010; Capital Improvements; Maturing August, 2030; bearing interest at 3.13%	6,250,000
Police Court package Loan; 2.60% interest; maturing, May, 2015; annual payments Of $ 73,040 until paid	117,582
Police Vehicles Loan; 2.920% interest; maturing December, 2013; annual payments Of $ $ 123,243 until paid	140,175
Command Vehicle Loan; 1.730% interest; maturing July, 2018; annual payments of $ 17,747 until paid	84,211
Total general obligation bonds and notes	8,326,968
Compensated absences	271,978
Less current portion of long-term debt	(1,014,427)
Total governmental activities long-term debt	$ 7,584,519

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Business-type activities:

Revenue Refunding Bond:

Series 2012 Refunding Bond, payable in semiannual installments, bearing interest at a variable rate, currently 4.25%, maturing September 2019, secured by utility system revenues	$ 7,915,000

Revenue Bonds:

State Revolving Fund Loan, payable in monthly installments of $9,019, beginning October 2006, bearing interest at 3.56%, maturing January 2026, secured by utility system revenues	1,082,820
State Revolving Fund Loan, payable in monthly installments of $10,949, beginning September 2006, bearing interest at 1.75%, maturing January 2026, secured by utility system revenues	1,456,513
State Revolving Fund Loan, payable in monthly installments of $7,877, beginning April 2006, bearing interest at 1.75%, maturing April 2025, secured by utility system revenues	990,469
State Revolving Fund Loan, payable in monthly installments of $3,765, beginning November, 2009; bearing interest at 1.95%, secured by utility system revenues	615,167
State Revolving Fund Loan, payable in monthly installments of $ 2,149, beginning October, 2009; bearing interest at 1.95%, secured by utility system revenues	324,006
State Revolving Fund Loan, payable in monthly installments of $ 9,665, beginning December, 2009, bearing interest at 2.75%, secured by utility system revenues	1,487,575
Total general obligation bonds and notes	13,871,550
MS Development Bank Series 2013 Bonds Maturing 2014-2033 interest 2.00 to 5.00 %	3,500,000
Vacuum Truck Loan, M & M Bank, $27,794 per year, Bearing Interest at 2.830%	151,213
Compensated absences	28,563
Less current portion of long-term debt	(1,809,673)
Total business-type activities long-term debt	$15,741,653

Revenue Refunding Bond

Utility System Revenue Refunding Bonds, Series 2012, were issued for the purpose of providing for the refunding of all maturities of the outstanding Combined Utility System Revenue Bonds, Series 2001, issued originally in the principal amount of $15,680,000,000 (balance of $9,185,000 as of the Series 2012 Refunding issue date), and an additional $ 300,000 to provide for payment of Series 2012 issue costs, all in order to accomplish debt service savings for the City. The bond is payable solely from net revenues from water and sewer system operation.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The original Series 2001 bonds were collateralized by the revenues of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond Funds. As long as the bonds were outstanding, the City agreed to fix and maintain rates and collect charges for the use and services of the System, which were to be at all times be sufficient to meet specified requirements. The balance outstanding of the Series 2012 issue date as of September 30, 2013 was $ 7,915,000.

State Revolving Revenue Bonds are collateralized by the revenues of the water and sewer funds. The City executed several long-term debt 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. The balance outstanding on these bonds, as of September 30, 2013, was $5,956,550.

Debt Maturity

Debt service requirements at September 30, 2013, were as follows:

	Governmental Activities		Business-type Activities	
	Notes & Capital Leases		Water and Sewer Bonds & Notes	
	Principal	Interest	Principal	Interest
2014	703,242	276,028	1,808,679	404,048
2015	602,331	254,782	1,801,356	379,907
2016-2020	2,971,395	995,711	7,881,584	1,263,822
2021-2026	2,355,000	688,874	3,124,609	800,062
2026-2030	1,695,000	169,767	2,906,535	457,391
Total	$ 8,326,968	2,385,162	17,522,763	3,305,230

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Interfund Balances

Interfund balances at September 30, 2013, consisted of the following:

	DUE FROM:					
	Governmental Activities			Business-Type Activities		
DUE TO:	General Fund	MS Development	Other Governmental Funds	Water and Sewer Fund	Solid Waste Fund	Total
Governmental activities:						
General Fund	$ -	-	-	-	-	-
MS Development		-		-		-
Other Governmental Funds	-	-	-	-		
Business-type Activities:						
Water and Sewer Fund	-	-	-	103,948	(103,948)	-
Solid Waste Fund Total	-	-	-		-	-
Total	$ -	-	-	103,948	(103,948)	-

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Since all interfund balances were reclassified as revenues or expenditures respectfully, there were no remaining interfund balances at the fiscal year end.

H. Interfund Transfers

Transfer balances at September 30, 2013, consisted of the following:

	TRANSFERS IN:		
	Governmental Activities	Business-Type Activities	
TRANSFERS OUT:	Other Governmental Fund	Other Business-Type Fund	Total
Governmental activities:			
General Fund	$ 988,587	-	988,587
MS Development	-	-	-
Other Governmental Funds	-	-	-
Business-type activities:			
Water and Sewer Fund	-	(988,587)	(988,587)
Solid Waste	-	-	-
Total	$ 988,587	(988,587)	-

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4. OTHER NOTES

A. Property Tax

Property tax is levied on the assessed (appraised) value as compiled by the Jackson County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30, following a series of public hearings to receive citizen objections.

Resulting taxes are due on or before February 1. Installment payments are accepted on or before February 1, May 1, and August 1. An inter-local government agreement, effective October 1, 1989, provided for billing and collection of City and Pascagoula School District taxes by Jackson County, Mississippi.

Included in revenues are taxes for automobile tags, which are assessed and collected by Jackson County.

Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. 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 generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

The City is required by law to assess and collect taxes necessary for operation of the Jackson-George Regional Library System and for service of certain related debt. Jackson-George Regional Library System provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. Jackson-George Regional Library System is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over library operations or approve budgets.

For the year ended September 30, 2013, the City's 2013 tax rate was as follows:

	MILLS
General Fund	24.350
Library Fund	1.000
Debt Service	6.750
Total	32.100

NOTE 4. OTHER NOTES (continued)

B. Pension Plans

Defined Benefit Pension Plan

Plan Description - The City of Gautier contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit 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.

Funding Policy - PERS' members are required to contribute 9.00 %, of their annual covered salary and the Jackson County Utility Authority is required to contribute at an actuarially determined rate. The current rate of 15.75% (effective July 1, 2013) of annual covered payroll is contributed by the City. These were the rates and the end of FY 2013. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature.

The City of Gautier's contributions to PERS for the years ended September 30, 2013 and 2012 were $670,020 and $729,428, respectively, representing 100% of the required contributions for the year.

Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribe that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 4. OTHER NOTES (continued)

C. Commitments and Contingencies

Related Party Transactions

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

Grants and Awards - the City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

Litigation - various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

Contract Commitments Service Contracts:

On May 17, 1988, the City entered into an agreement with Jackson County, under which the County provides animal shelter services for a current fee of $10,560 per year.

On January 1, 1988, the City entered into an agreement with Mississippi Regional Housing Authority No. VIII (the Housing Authority) for the development of low-income housing units operated by the Housing Authority within the municipality. Under the agreement, all projects are exempt from all real and personal property taxes and special assessments levied by any taxing body. The Housing Authority makes annual payments in lieu of such taxes for the public services and facilities furnished by the City. Annual payments would be the lesser of 10% of shelter rent collected or the amount permitted to be paid by state law in effect on the date payment is made.

The City's existing contract for trash collection services was initiated on September 1, 2012 and later renewed through September of 2014. The City has the option to renew the contract for four additional one year terms. The contractor is paid on a per unit basis.

NOTE 4. OTHER NOTES (continued)

Construction Contracts:

The City entered into various construction contracts in the prior Fiscal Year for infrastructure improvements with some estimated remaining commitments at September 3, 2013. The majority of these projects were funded by various state and federal grants. See Note 3. D for more detailed information on these projects.

D. Joint Venture

The City is a member of the joint venture Jackson County Utility Authority (the Authority), which was established by an act of the Mississippi Legislature to design and implement a water pollution abatement plan. The Authority is responsible for the operations and maintenance of the wastewater treatment plants for the cities of Gautier, Moss Point, Ocean Springs and Pascagoula. The Authority enters into subscription agreements with each of the governing bodies and districts to fund its operations.

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2013, a complete copy of which is on file at the administrative offices of the Authority, located at 1225 Jackson Avenue, Pascagoula, Mississippi 39567.

BALANCE SHEET

ASSETS		
Current assets	$	2,828,776
Restricted investments		3,124,829
Capital assets	$	135,840,387
Total assets	$	141,793,992
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities	$	6,651,372
Noncurrent liabilities		8,268,820
Total liabilities		14,920,192
NET POSITION		126,873,800
Total liabilities and net assets	$	141,793,992

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	$	9,212,044
Operating expenses		(14,625,320)
Non-operating revenues		1,963,443
Change in Net Assets		(3,449,833)
Net Position, Beginning of the Year		130,323,633
Net Position assets, end of the year	$	126,873,800

NOTE 4. OTHER NOTES (continued)

E. Deficit fund balances/Retained earnings

There were only two deficit fund balances of individual funds were as follows:

Governmental activities:

Tidelands Grant Fund	5,876
BP Oil Spill Grant Fund	395

NOTE 4. OTHER NOTES (continued)

F. Settlements from prior periods:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

	Governmental Activities	Business-type Activities	Total
Net position September 30, 2012, as originally presented	$ 8,231,573	19,187,518	27,419,091
Prior period adjustment – Liability Adjustment	182,780		182,780
Net position, September 30, 2012	$ 8,414,353	19,187,518	27,601,871

FUND FINANCIAL STATEMENTS:

	General Fund	Water and Sewer Fund
Fund balance September 30, 2012, as originally presented	$ 3,806,853	19,187,518
Prior Period Adjustment	182,780	0
Fund balance, September 30, 2012	$ 3,989,633	$ 19,187,518

NOTE 4. OTHER NOTES (continued)

G. Subsequent events –

• Community Disaster Loan of $ 350,000 plus accrued interest forgiven

OTHER SUPPLEMENTARY INFORMATION

CITY OF GAUTIER, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / Under
Resources (inflows):				
Taxes	4,002,857	4,025,457	3,876,439	(149,018)
Licenses and permits	242,200	249,265	229,491	(19,774)
Inter-governmental revenues	2,874,500	2,872,150	2,873,203	1,053
Fines and forfeitures	1,010,000	797,037	735,180	(61,857)
Miscellaneous	1,129,656	1,292,454	1,315,708	23,254
Available for appropriations	9,259,213	9,236,363	9,030,021	(206,342)
Charges to appropriations (outflows):				
General Government				
Personnel services	1,032,969	996,454	996,471	(17)
Supplies	56,000	23,090	19,427	3,663
Other services and charges	178,972	566,792	558,748	8,044
Capital outlay	356,500	61,655	61,643	12
Public Safety				
Personnel services	4,604,807	4,594,308	4,370,527	223,781
Supplies	290,700	42,200	15,303	26,897
Other services and charges	190,350	444,850	370,904	73,946
Capital outlay	31,700	31,700	29,219	2,481
Public Works				
Personnel services	194,884	274,027	277,627	(3,600)
Supplies	10,401	20,074	6,514	13,560
Other services and charges	161,117	224,571	206,589	17,982
Economic Development & Planning				
Personnel services	487,085	553,248	549,895	3,353
Supplies	26,900	5,900	3,812	2,088
Other Services & Charges	114,200	121,043	72,844	48,199
Culture and recreation				
Personnel services	95,452	97,052	96,883	169
Supplies	15,800	21,190	3,166	18,024
Other Services & Charges	49,800	56,300	61,508	(5,208)
Transfers	1,018,094	768,094	768,090	4
Debt Service	292,114	282,447	196,283	86,164
Total charges to Appropriations	9,207,845	9,184,995	8,665,453	519,542
Revenues less expenditures	51,368	51,368	364,568	313,200
Budgetary fund balance, October 1, 2012	$ 300,000	300,000	510,267	210,267
Budgetary fund balance, September 30, 2013	$ 351,368	351,368	874,835	523,467

The accompanying notes are an integral part of these financial statements.

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF BUDGET-TO-ACTUAL RECONCILIATION
GENERAL FUND
For the Year Ended September 30, 2013

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles is as follows:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 9,030,021
Differences - budget to GAAP:	
Transfers from other funds are inflows for budgetary purposes but are not revenues for financial reporting purposes	(988,587)
Accrual basis revenues are not revenues for budget purposes	(1,031,679)
Special Revenue Fund revenues are included as General Fund revenues for financial reporting purposes	2,639,316
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds, General Fund	$ 9,649,071
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the Budgetary comparison schedule	$ 8,665,453
Differences - budget to GAAP:	
Special Revenue Fund expenditures included in the General Fund for reporting, but not for budget purposes.	2,425,785
The budget is prepared on the cash basis whereas the fund statements are on the modified accrual basis. This is the effect of expenditure accrual transactions.	(1,208,661)
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	(768,090)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, General Fund	$ 9,114,487

The accompanying notes are an integral part of these financial statements.

CITY OF GAUTIER, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2013

NOTE 1: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.

2. Department directors submit proposed expenditure budgets to the City Clerk by June 1, each year.

3. The City Manager and the department directors review expenditure budgets, and necessary revisions are made.

4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the City Council.

5. The City Manager submits the proposed budget to the Board by August 1.

6. A public hearing is conducted to obtain taxpayer comments.

7. The final budget is approved by September 15, and must be published in a local newspaper on or before September 30.

8. Budget revisions are made throughout the year (prior to September), as reallocations of funds are necessary or circumstances change, which dictate the need for a budget amendment.

9. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.

10. The general fund budget is adopted on a cash basis as required by State statute. The appropriated budget is prepared by fund, function and department. The legal level of budgetary controls is the department level. The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget-to-actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Manager. The department head will then be required to make an inter-departmental budget transfer or request a budget amendment.

NOTE 2: SURPLUS OF APPROPRIATIONS OVER EXPENDITURES (BUDGET)

Although revenues projected were less than actual for the fiscal year ending September 30, 2013, as shown on Page 54, through the prudence of the City Management and the City Council expenditures were less than anticipated. Therefore the overall actual ending fund balance was a surplus that was much greater than was anticipated.

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF BUDGET-TO-ACTUAL RECONCILIATION
MS DEVELOPMENT BANK KATRINA LOAN FUND
For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / Under
Budgetary fund balance, October 1, 2012	$ 3,495	3,455	3,495	-
Resources (inflows):				
Transfers In	278,566	278,566	278,566	-
Amounts available for Appropriations	282,061	282,061	282,061	-
Charges to appropriations (outflows):				
General Government Debt Service	279,616	279,616	279,601	15
Capital Outlay		-	-	-
Transfers Out	-	-	-	-
Total charges to Appropriations	279,616	279,616	279,601	15
Budgetary fund balance, September 30, 2013	$ 2,445	2,445	2,460	15

OTHER SUPPLEMENTARY INFORMATION

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF SURETY BONDS OF MUNICIPAL OFFICIALS
For the Year Ended September 30, 2013

Name	Position	Amount
Gordon Gollott	Mayor	$ 100,000
Mary Martin	Councilwoman	100,000
Johnny Jones	Councilman	100,000
Hurley Ray Guillotte	Councilman	100,000
Casey Vaughn	Councilman	100,000
Charles Anderson	Councilman	100,000
Adam Colledge	Councilman	100,000
Samantha Abell	City Manager	50,000
Cindy Russell	City Clerk	50,000
Dante Elbin	Police Chief	50,000

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
Passed Through State:			
Local Law Enforcement Block Grant			
Task Force Grant	16.592	7NM1301	$ 13,792
FBI Safe Street	16.592	18PGCP540Z	16,251
HIDTA	16.592	18PGCP540Z	10,819
U.S. Department of the Interior			
Passed Through State:			
Coastal Improvement Assistance	15.668	MS.30.701	16,483
Coastal Improvement Assistance	15.668	USFWSF12AF00434	59,069
U.S. Department of Homeland Security			
Passed Through State:			
Assistance to Firefighters	97.044	EMW-2012-FO-02393	76,396
Federal Emergency Management Center			
Hazard Mitigation Grant – Police	97.039	HMBP 1794-23-01	22,400
Hurricane Isaac	97.036	FEMA-4081-DR-MS	28,525
U.S. Department of Housing and Urban Development			
Passed Through State:			
Community Development Block Grant -	14.219/14.228	R-109-192-01-KCR	2,425,785
U.S Department of Transportation			
Passed Through State:			
Urban Youth Corps	20.000	STP-9999-09(032)-106638-304300	36,529
Transportation Improvement	20.205	STP-9194-00(001) / LPA/105069-801000	137,715
Total Expenditures of Federal Awards			**$ 2,843,764**

The accompanying notes are an integral part of these financial statements.

CITY OF GAUTIER, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gautier and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

A reconciliation follows:

Totals above	$ 2,843,764
Accrued in prior year	(1,310,326)
Accrued at 09-30-2013	50,249
Amount included in Financial Statements	$ 1,583,687

NOTE 2. LOAN AGREEMENTS OUTSTANDING

Proceeds of State Revolving Fund loans were obtained for sewer rehabilitation and drinking water system improvements. The State Revolving Fund is financed, at least in part, by the U.S. Environmental Protection Agency. The principal balance on September 30, 2013, was:

DWI-H280092-01-3	$ 1,082,820
SRF-C2808754-01-3	1,456,513
SRF-C280879-01-1	990,469
DWI-H280114-01-2	615,167
DWI-H280114-02-0	324,006
SRF-C280879-02-2	1,487,575
	$ 5,956,550

CITY OF GAUTIER, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013

2012-001	The City was still unable to provide sufficient documentary evidence to support the carrying amounts of fixed assets on its books. This finding continues, with the exception of taking a physical inventory, and is noted for the third year in Finding 2013-001.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MEMBER: American Institute of CPA's
Mississippi Society of CPA's

LLOYD B. MARSHALL, JR.
CERTIFIED PUBLIC ACCOUNTANT

4321 Gautier Vancleave Rd. Suite A
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAUDITING STANDARDS*

The Honorable Mayor and Members of the City Council City of Gautier, Mississippi

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Gautier's basic financial statements, and have issued my report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that are not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. It is listed as item 2013-001.

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 *Governmental Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gautier's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests no disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Gautier's Response to Findings

City of Gautier's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. City of Gautier's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Gautier, Mississippi
June 30, 2014

MEMBER: American Institute of CPA's
Mississippi Society of CPA's

LLOYD B. MARSHALL, JR.
CERTIFIED PUBLIC ACCOUNTANT

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Gautier, Mississippi 39553

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Members of the City Council
City of Gautier, Mississippi

Report on Compliance for Each Major Federal Program

I have audited City of Gautier's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Gautier's major federal programs for the year ended September 30, 2013. City of Gautier's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of City of Gautier's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gautier's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Gautier's compliance.

Opinion on Each Major Federal Program

In my opinion, City of Gautier complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of City of Gautier is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Gautier's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Gautier's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gautier, Mississippi
June 30, 2014

MEMBER: American Institute of CPA's
Mississippi Society of CPA's

LLOYD B. MARSHALL, JR.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

The Honorable Mayor and Members of the City Council
City of Gautier, Mississippi

I have audited the accompanying financial statements of the City of Gautier, Mississippi (the City) as of and for the year ended September 30, 2013 and have issued my report dated June 30, 2014. I have conducted my 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*.

Compliance

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed the following material instances of noncompliance with state laws and regulations. My findings and recommendations and your responses are as follows:

Finding

The City was not able to generate a ledger providing detailed information of the City's fixed assets. The City should be responsible for custody of its assets and accurately report them in the financial statements. Further, the City has not been reconciling the annual inventory of fixed assets to ledger balances; however, a comprehensive fiscal inventory of fixed assets taken for the Fiscal Year ending September 30, 2013 which is an improvement in the process.

Recommendation

I recommend the City maintain a detailed ledger of fixed assets, along with a listing of additions and deletions during the year. This ledger should be reconciled to the annual inventory. The Office of the State Auditor has prepared forms and checklists to assist municipalities in performing this required inventory; they are available for download on the State Auditor's website.

Auditee's Response

Management recognizes the issue regarding fixed assets. The City Clerk has been and is in the process of making great strides in resolving the problem, having taken a complete asset inventory for Fiscal 2013. Additionally, an individual with comprehensive experience in this area has been retained to oversee the fixed asset inventory.

City of Gautier's Response to Findings

City of Gautier's response to the findings identified in my audit is described above. City of Gautier's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose.

Gautier, Mississippi
June 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF GAUTIER, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. In my report, my opinion on the financial statements, was qualified for inadequate records for fixed assets.

2. A material weakness relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. There were no significant deficiencies noted.

3. No instances of noncompliance material to the financial statements of the City of Gautier, Mississippi are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

4. No material weaknesses relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance. There were no significant deficiencies noted.

5. The auditor's report on compliance for major federal award programs for the City of Gautier, Mississippi expresses an unqualified opinion.

6. There are no audit findings relative to the major federal award programs for the City of Gautier, Mississippi, that are to be reported in Part C of this schedule.

7. Major program tested:

   Community Development Block Grant - 14.219/14.228

8. The dollar threshold for distinguishing Type A and B programs was $300,000.

9. The City of Gautier, Mississippi did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable instances of noncompliance and reportable conditions and material weaknesses

2013-001

Finding

Criteria: Generally Accepted Accounting Principles (GAAP) for Governments indicate that they should have adequate records regarding the fixed assets, accumulated depreciation and depreciation expense that detail each class of asset, the description, date purchased or built, the cost (or estimated cost), the depreciation method (if applicable), the depreciation for the year and accumulated depreciation.

B. FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

Condition: The City was unable to provide sufficient documentary evidence to support the carrying amounts of fixed assets on its books, and they were unable to satisfy GAAP as to the existence and valuation of the City's fixed assets.

Cause: The City has not reconciled the carrying amount of fixed assets on their books to their inventory.

Effect: This weakness in internal control regarding fixed assets leaves the City susceptible to misappropriation and unverifiable values on their books for the related items

Recommendation: I recommend the City implement a fixed assets control system. At the end of the fiscal year, the accounting department should reconcile the general ledger to the inventory control records.

Auditee's Response: Management recognizes the problem with the fixed assets. The City Purchasing Agent has been and is making great strides in resolving the problem.

Follow-up on prior audit findings: The previous year had the same finding listed as 2013-001.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings related to the major federal program.