Tuesday
October 7, 2014
Gautier, Mississippi

BE IT REMEMBERED THAT A REGULAR MEETING of the Mayor and Council of the City of Gautier, Mississippi was held October 7, 2014 at 6:30 PM in the City Hall Municipal Building, 3330 Highway 90, Gautier, Mississippi.

Those present were Mayor Gordon Gollott, Council Members Mary Martin, Johnny Jones, Hurley Ray Guillotte, Casey Vaughan, Rusty Anderson, and Adam Colledge. Also present were Samantha Abell, City Manager; Cynthia Russell, City Clerk; Joshua Danos, City Attorney; and other concerned citizens.

AGENDA
CITY OF GAUTIER, MISSISSIPPI
CITY HALL COUNCIL CHAMBERS
October 7, 2014 @ 6:30 PM

I. Call to Order

1 Prayer

2 Pledge of Allegiance

II. Agenda Order Approval

III. Announcements

1 24th Annual Gautier Mullet & Music Fest Saturday, October 18th and Sunday, October 19th.

IV. Presentation Agenda

1 Domestic Violence Awareness Proclamation. Amanda Johns, representative for Gulf Coast Women's Center for Nonviolence.

2 Recognition of Gautier's Home Town Hero Celebration volunteers. Bill Whatley, American Legion Post 1992 Commander.

V. Public Agenda

1 Agenda Comments

VI. Business Agenda

1 Resolution expressing support for a School District name change to the Pascagoula-Gautier School District.

2 Order authorizing City Manager to forward the 2015 Legislative Priorities White Paper Packet to Mississippi Legislators for consideration.

3 **Order ratifying the FY 2014 Audit Financial Statements for the year ended September 30, 2013.**

4 **Order authorizing the Construction Engineering & Inspection Services Contract with Neel-Schaffer for the Transportation Enhancement Project (Streetscape Improvements) STP-094-00(008)LPA/106378-701000.**

5 **Order authorizing the advertisement of Contractor for Transportation Enhancement Streetscape Improvements Projects – Phase III.**

6 **Order authorizing the submission of Notice of Intent to participate in FEMA Region IV's 2015 High Water Mark Initiative for Mississippi Coastal Communities.**

7 **Approval of the Revised Schedule of Authorized Positions in order to Create, Eliminate and Fund Positions Within Economic Development and Planning Department In the Interest of the Public.**

8 **Order approving the Docket of Claims.**

VII. Consent Agenda (All items approved in one motion)

1 **Order accepting the Municipal Court Clerk's Certificate of Attendance and 2014 Professional Judicial Development Certificate.**

2 **Order approving request for in-kind services for the 2014 Gautier Mullet & Music Fest.**

3 **Order approving the License Agreement with Lowe's Home Centers, Inc., for the purpose of the Gautier Mullet & Music Fest.**

4 **Resolution amending the naming of a segment of Highway 90 as the "Scott E. Pruitt Highway" to "MSgt. Scott E. Pruitt Highway".**

5 **Order authorizing the acceptance of a donation by the Jackson County Board of Supervisors for three (3) Harley Davidson motorcycles from the Jackson County Sheriff's Office surplus inventory.**

6 **Order authorizing the Jackson County AARP 1213 request to waive the pavilion fee in the amount of $35.00 for an event at George Martin Park.**

7 **Order approving the Municipal Compliance Questionnaire for FY 2013 and FY 2014.**

8 **Consideration of a request to the Jackson County Board of Supervisors for the purchase of a lawn mower and weed eater for Shepard State Park.**

9 **Order authorizing the request to waive a Minor Conditional Use fee in the amount of $250.00 for Bennie Lee and Merideth Dickerson at 1420 Magnolia Bluff Drive.**

10 **Order approving minutes from Council Meetings held September 9th; September 16th; and September 23rd.**

11 **Order approving Lloyd Marshall Jr. Letter of Engagement for FY2014.**

STUDY AGENDA
CITY OF GAUTIER, MISSISSIPPI
October 7, 2014

1 **Discuss Citizen Comments**

2 **Discuss Council Comments**

3 **Discuss City Manager Comments**

4 **Discuss City Clerk Comments**

5 **Discuss City Attorney Comments**

Recess until October 21, 2014 at 6:30 PM
www.gautier-ms.gov

Councilwoman Martin made the motion to add Business Item #9 – Approval of application for Special Event Permit of Azteca's Mexican Restaurant in the amount of $200.00 to rent a City digital portable sign for a tourist-oriented special event "Aztecas Welcomes Cruisers of the Coast" and approve the agenda order. **Councilman Colledge** seconded the motion and the vote unanimously carried.

Announcements

1. 24th Annual Gautier Mullet & Music Fest Saturday, October 18th and Sunday, October 19th.

Presentation Agenda

1. Domestic Violence Awareness Proclamation. Amanda Johns, representative for Gulf Coast Women's Center for Nonviolence.

2. Recognition of Gautier's Home Town Hero Celebration volunteers. Bill Whatley, American Legion Post 1992 Commander.

Agenda Comments

Joe Belles resident at 1501 Magnolia Bluff commented on Business Item #7- Approval of the Revised Schedule of Authorized Positions in order to Create, Eliminate and Fund Positions within Economic Development and Planning Department in the Interest of the Public.

Proclamation

A Proclamation of the Mayor and City Council

of

The City of Gautier, Mississippi

WHEREAS, violence against women and children continues to become more prevalent as a social problem due to the imbalance of power due to gender and age; and

WHEREAS, the problems of domestic violence are not confined to any group or groups of people but cross all economic, racial, and societal barriers; and supported by societal indifference; and

WHEREAS, the problems of domestic violence violates an individual's privacy, dignity, security, and humanity, due to systemic use of physical, emotional, sexual, psychological and economic control and/or abuse; and

WHEREAS, it is fitting to set aside a special time to bring this issue to the attention of all Mississippians so they can become better informed and involved in programs to eliminate this epidemic from our society; and

WHEREAS, the impact of domestic violence is wide ranging directly affecting women, men and children and society as a whole; and

WHEREAS, it is domestic violence victims themselves who have been in the forefront of efforts to bring peace and equality to the home;

NOW, THEREFORE, BE IT RESOLVED that the Mayor of the City of Gautier, Mississippi does hereby proclaim the month of October 2014 as:

DOMESTIC VIOLENCE AWARENESS MONTH

And encourage the citizens of our area to observe this month by joining friends, fellow employees and school, religious, and civic groups in projects that will benefit our community in the fight to stop DOMESTIC VIOLENCE.

IN TESTIMONY WHEREOF, I have hereunto affixed the seal of the City of Gautier on this the 7th day of October 2014.

CITY OF GAUTIER MISSISSIPPI

Dated this 7th day of October 2014

_____

Gordon Gollott, Mayor

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There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi, the following:

RESOLUTION NUMBER 023-2014

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GAUTIER, MISSISSIPPI, REQUESTING THAT THE PASCAGOULA SCHOOL BOARD CONSIDER A DISTRICT NAME CHANGE TO THE PASCAGOULA-GAUTIER SCHOOL DISTRICT

WHEREAS, The Pascagoula School District has served the citizens of Gautier for more than fifty years; and

WHEREAS, The City of Gautier desires to recognize the students who proudly contribute to the many accomplishments of the District and who reside in Gautier; and

WHEREAS, The City of Gautier finds that nearly fifty percent of the students in the District reside in Gautier; and

WHEREAS, The City of Gautier further finds that name recognition will enhance and promote District pride; and

WHEREAS, The City currently suffers from a lack of identification with the District outside the region; and

WHEREAS, The District's academic excellence is essential to the promotion of Gautier for attracting new residents and encouraging economic development; and

WHEREAS, The addition of the name Gautier further promotes the rich ancestral French heritage of the region in addition to the Pascagoula Native American **heritage; and**

WHEREAS, The City of Gautier finds that the District name change would have minimal financial impact as the name can be integrated overtime as new purchases are made for supplies, equipment and vehicles.

NOW THEREFORE, BE IT RESOLVED that the City of Gautier hereby requests in a spirit of gratitude and partnership, that the School Board consider officially changing the District name to the Pascagoula-Gautier School District.

BE IT KNOWN THAT the motion to approve the foregoing resolution was made by **Councilwoman Martin** and was seconded by **Councilman Vaughan** and the following vote was recorded:

Mayor	**Gordon Gollott**	**AYES**
Councilwoman at Large	**Mary Martin**	**AYES**
Councilman Ward 1	**Johnny Jones**	**AYES**
Councilman Ward 2	**Hurley Ray Guillotte**	**AYES**
Councilman Ward 3	**Casey Vaughan**	**AYES**
Councilman Ward 4	**Rusty Anderson**	**AYES**
Councilman Ward 5	**Adam Colledge**	**AYES**

RESOLVED, this the _7th__ day of _October, 2014

ATTEST: **MAYOR**

_____ _____

CITY CLERK **GORDON GOLLOTT**

Mayor
Gordon T. Gollott

Council
At Large Mary F. Martin
Ward 1 Johnny Jones
Ward 2 Hurley Ray Guillotte
Ward 3 Casey C. Vaughan
Ward 4 Charles "Rusty" Anderson
Ward 5 Adam D. Colledge

City of Gautier

Gautier, Mississippi

City Manager
Samantha D. Abell

City Clerk
Cynthia L. Russell

3330 Highway 90
Gautier, MS 39553
Phone: (228) 497-8000
Fax: (228) 497-8028
Email: gautier@gautier-ms.gov
Website: www.gautier-ms.gov

October 7, 2014

Pascagoula School District
Board of Trustees
Mr. Dan Marks
Mr.Mike Concannon
Mr. Sonny Backs
Ms. Jennifer Colmer
Mr. Michael Phillips
Superintendent Wayne Rodolfich
1006 Community Avenue
Pascagoula, MS 39568

Re: Consideration of a Request for the Pascagoula-Gautier School District

Dear Pascagoula School Board of Trustees,

Every March, the Pascagoula School District celebrates Dr. Seuss' birthday. We begin our letter with an excerpt from the beloved children's book author:

> I'm quite happy to say,
> That the Sneetches got really quite smart on that day,
> The day they decided that Sneetches are Sneetches
> And no kind of Sneetch is the best on the beaches
> That day, all the Sneetches forgot about stars
> And whether they had one, or not, upon thars.

Dr. Seuss wrote "Sneetches" in 1961 to teach children about discrimination. He wrote the book to address the subject of diversity and teach children to be fair and treat people equally. This simple children's story reminds us that although the Pascagoula School District is divided by a river, our students are not divided. Our school district students are united in their commitment to academic excellence and should be recognized fairly and equally.

The Gautier City Council respectfully requests that the Board act upon the attached resolution in support of amending the name "Pascagoula School District" to "Pascagoula-Gautier School District." Our newly elected Council has approved the attached resolution and stands with the previous Council and our citizens asking that we support such a request. Please know that we are extremely proud of our school district. The Pascagoula School District has served the citizens of Gautier for more than fifty years. At this moment, the school board is investing in our students' future with facility expansions and new programs. The District's academic prestige is essential to the promotion of Gautier for attracting new residents and encouraging economic development.

Thank you for considering this matter. Please feel free to contact any member of the Gautier City Council or Mrs. Samantha Abell (Gautier City Manager) with any questions or comments.

Respectfully,

Gautier City Council

Gordon Gollott – Mayor _____

Mary Martin – Councilwoman at Large _____

Johnny Jones – Councilman Ward 1 _____

Hurley Ray Guillotte – Councilman Ward 2 _____

Casey Vaughn – Councilman Ward 3 _____

Rusty Anderson – Councilman Ward 4 _____

Adam Colledge – Councilman Ward 5 _____

There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi, the following:

ORDER NUMBER 226-2014

IT IS HEREBY ORDERED by the Mayor and Members of the Council of the City of Gautier, Mississippi, that the City Manager is hereby authorized to forward the 2015 Legislative Priorities Packet to the Mississippi Legislators for consideration.

IT IS FURTHER ORDERED that the City Manager or City Clerk is authorized to execute any and all documents necessary.

Motion was made by **Councilwoman Martin**, seconded by **Councilman Anderson** and the following vote was recorded:

AYES: **Gordon Gollott**
Mary Martin
Johnny Jones
Hurley Ray Guillotte
Casey Vaughan
Rusty Anderson
Adam Colledge

NAYS: **None**

_____
MAYOR

ATTEST:

_____
CITY CLERK

Passed and Adopted by Mayor and Members of the Council of the City of Gautier, Mississippi, at the meeting of October 7, 2014.

CITY OF GAUTIER

Nature's Playground

2015 Legislative Priorities

Mississippi State Legislature

Gautier City Council

Gordon Gollott, Mayor

Adam Colledge, Ward 5

Rusty Anderson, Ward 4

Casey Vaughan, Ward 3

Hurley Ray Guillotte, Ward 2

Johnny Jones, Ward 1

Mary Martin, Councilman-At-Large

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Prepared by
The Office of the City Manager

City Hall
3330 Highway 90
Gautier, Mississippi 39553

CITY OF GAUTIER

MISSION

To enhance the quality of life of the citizens of Gautier and our neighborhoods by providing exceptional government services.

VISION

We strive to achieve efficient and responsible service; a highly trained, competent workforce; and responsible stewardship of resources.

VALUES

℘ PEOPLE ℘ INTEGRITY ℘ PROSPERITY

STRATEGIC PRIORITIES

In June 2009, the City of Gautier unanimously adopted a Comprehensive Plan that provides the foundation for the following eight strategic priorities. These initiatives are reflected throughout our legislative package either by specific requests or through the City's stance on issues of regional or statewide significance.

Our Strategic Priorities are:

- **Community Maintenance**
  . . . aesthetically improve all areas of the City

- **Strengthening a Recreational Waterfront**
  . . . cultivate public and private investments in the economic engine of the Coast

- **Focus on the Town Center Master Plan and I-10 Corridor**
  . . . promote economic renewal and strategic development

- **Environmentally Sustainable Local Government Policies**
  . . . develop and implement pro-environmental policies

- **College Park Community Redevelopment**
  . . . stimulate further redevelopment opportunities

- **Operational Performance and Efficiency**
  . . . focus on improving efficiency and performance

- **Promote Public Safety**
  . . . reduce violent crime among youth and adults

- **Customer Service**
  . . . maintain and improve the quality our customers' experiences

While recognizing that the City is involved in many other important activities, these eight initiatives will be our focus as we plan future activities and deploy resources.

FACTS ABOUT THE CITY OF GAUTIER

The City of Gautier is home to the Mississippi Gulf Coast Community College's Jackson County Campus, nationally ranked as a top ten community college and established in 1911. Gautier enjoys one of the highest elevations along the Gulf Coast, with sprawling bluffs and also low-lying fishing villages within its 33 square miles. More than 70 miles of waterfront line Gautier, nestled between bayous, barrier islands, and the only unimpeded waterway in the United States, the Pascagoula River. Gautier is "Nature's Playground", boasting numerous parks and coastal recreation, including the 19,000-acre U.S. Fish and Wildlife's Sandhill Crane Refuge and 395-acre Shepard State Park.

Gautier lies one hour west of Mobile and less than two hours east of New Orleans, in the center of Jackson County on the Mississippi Gulf Coast. Gautier is also centrally located between the City of Pascagoula (the largest industrial area of Mississippi with thousands of high-paying manufacturing jobs), and the Biloxi-Gulfport area (with a high concentration of tourism related jobs, many in the gaming industry).

Historic Profile

In 1699, the King of France sent Pierre Lemoyne D'Iberville to establish a fort on the bluff in Gautier where the prominent homestead referred to as La Maison Gautier or "The Old Place" still stands today. The Gautier family moved from New Orleans after the Civil War, and established a sawmill and several sprawling homesteads along the bluffs and beach line that can still be visited today.

The City of Gautier was incorporated in 1986. In February, 2002, the City of Gautier completed its annexation process, which tripled the size of our city. The annexation included large areas of land to the west and north of the city. The annexation increased population by approximately fifty percent and positioned the city for additional growth along the Mississippi Highway 57 (MS 57) and U.S. Highway 90 (US 90) corridors. It also placed legal requirements for expansion of city services and infrastructure to the newly annexed areas.

Government

Gautier operates under a progressive and business-friendly "City Manager-Council" structural form, in which the city and city employees are directed by a professional city manager. Oversight is provided by City Council with one member elected from each ward, one member elected at large and one member elected as mayor. The mayor serves as chairman for council meetings and honorary representative of the city. Both the Mayor and the members of the City Council are elected for concurrent four-year terms.

LEGISLATIVE PRIORITIES

General Principles

Gautier supports legislation to foster economic prosperity along the Gulf Coast and protect the City's ability to provide basic municipal services to its citizens.

- Defend against state revenue reductions or legislation that hampers the City's ability to extend basic city services.
- Protect shared state revenue sources available to the City, and provide new revenue options and flexibility in the use of existing revenues.
- Support long-term sustainability efforts related to City financial, environmental and transportation goals.

City of Gautier 2015 Legislative Priorities

1. Gautier opposes any new mandates that draw on City resources, and opposes any further shifting of costs or services from federal and state government to cities.

2. Gautier supports an overhaul to the 1972 Growth Management Act as it relates to requirements for the rezoning of property. Changes are necessary in the interest of sustainability and economic development.

3. Gautier supports special legislation to create a pilot program in Pascagoula, Gautier and Flowood. This pilot program, called a "Community Redevelopment Area", is a special district within the town center for the purpose of community development.

4. Gautier supports legislation to repeal Senate House Bill No. 3100, Section 42 Housing Law.

5. Gautier supports legislation to repeal the 1987 Certificate of Need process for hospital facilities.

6. Gautier supports all efforts on behalf of the Mississippi Gulf Coast Community College's Jackson County Campus.

LEGISLATIVE PRIORITIES

1. **Gautier opposes any new mandates that draw on City resources, and opposes any further shifting of costs or services from Federal and State Government to cities.**

   July 1, 2014, the Gautier Mayor and Council approved Resolution 54, a resolution responding to the Environmental Protection Agency's proposed new rule to define "Waters of the U.S." and place local drainage ways under the permitting and regulatory authority of the U.S. Army Corp of Engineers. The city joins other governments nationwide who object to the proposed over-reach. The result is a gross hindrance to private property rights and unfunded mandates, by giving the federal government discretion on a case-by-case basis of what constitutes "water of the US". As Gautier is surrounded by waterway on three sides and thousands of miles of waterways, the proposed rule is a major threat to sustainability and sovereignty.

2. **Gautier supports an overhaul to the 1972 Growth Management Act as it relates to requirements for the rezoning of property, in the interest of sustainability and economic development.**

   An overhaul to Mississippi's Growth Management Act is long overdue, considering how both the world economy and local community development practices have changed in the last forty years. Rezoning is only one component of the GMA that needs updating. However, this law has become a choking point for smart growth. The solution is to allow economic development to be a legally permissible justification for the "need" to rezone, if the rezoning request is made by the property owner, and not government.

   Furthermore, rezoning property *only* after there is a change in the character of the land is reactionary; it is the stark opposite of sound planning. For the purposes of conservation and sustainability, governments must be permitted to rezone property prior to a change in the character of the land.

   State law requires either an error in the initial zoning; a change in the character of the use of the land; or some compelling "need" before existing zoning may be changed. The Mississippi Supreme Court has found that the law does not allow a municipality to consider the finding of "need" to be justified by economic development. This greatly hinders private property rights. Governments base their Official Zoning Map on a long-rage comprehensive plan which does not provide for a response to unforeseen opportunity. Governments cannot anticipate physical, cultural, and economic obstacles or opportunities. Government should not be dictating the free market by rigid laws which do not allow for consideration of free market opportunities. Private property owners should be able to request a rezoning public hearing in consideration of the best use of their property. However, existing law prohibits most privately-initiated rezoning requests because a government is unclear how to justify "need" by data and analysis, if economic development is not a consideration.

3. **Gautier supports special legislation to create a pilot program in the cities of Pascagoula, Gautier and Flowood. This pilot program, called a "Community Redevelopment Area", is a special district within the town center for the purpose of community development.**

   The purpose of the pilot legislation is to utilize these cities as a testing ground for measuring the "before and after" applications of economic revitalization incentives to eliminate slum and blight. The pilot program allows for the creation of a Community Redevelopment Area (CRA) which allows for the increase in "home rule" local autonomy in decision making for addressing the needs of community development.

   The CRA does not affect school or state share of taxes. The district merely allows for the CRA Board to enter into a development agreement to rebate a developer with local public funds for the revitalization of blighted areas, within the CRA district.

   Currently municipalities have no way to directly incentivize commercial developers to renovate existing privately owned buildings for reuse/redevelopment. Not being able to attract this type of investment results in:

- Increased debt burden by cities utilizing bonds and loans as opposed to development agreements to address community development needs
- Loss of commercial development projects
- Increase in commercial blighted properties/vacant buildings
- Increase in sprawl, as it is currently more financially feasible to construct new buildings as opposed to redeveloping existing commercial buildings.

Community Redevelopment Agencies: What, When, and How

CRAs, as they are known, are quite common in other states. Local governments are able to designate areas as Community Redevelopment Areas when certain conditions exist. Since all the monies used in financing CRA activities are locally generated, CRAs are not overseen by the state, but redevelopment plans must be consistent with local government comprehensive plans.

What is a Community Redevelopment Agency?

The activities and programs offered within a Community Redevelopment Area are administered by the Community Redevelopment Agency. A five- to seven-member CRA "Board" created by the local government (city or county) directs the agency. The Board can be comprised of local government officials and or other individuals appointed by the local government. Although one local government may establish multiple CRA districts, there generally may be only one CRA Board. Each district must maintain separate trust funds, and expend those funds only in that district.

What is a Community Redevelopment Plan?

The Community Redevelopment Agency is responsible for developing and implementing the Community Redevelopment Plan that addresses the unique needs of the targeted area. The

plan includes the overall goals for redevelopment in the area, as well as identifying the types of projects planned for the area.

Examples of traditional projects include: streetscapes and roadway improvements, building renovations, new building construction, flood control initiatives, water and sewer improvements, parking lots and garages, neighborhood parks, sidewalks and street tree plantings. The plan can also include redevelopment incentives such as grants and loans for such things as façade improvements, sprinkler system upgrades, signs, and structural improvements. The redevelopment plan is a living document that can be updated to meet the changing needs within the Community Redevelopment Area; however, the boundaries of the area cannot be changed without starting the process from the beginning.

CRAs are a specifically focused financing tool for redevelopment. CRA Boards do not establish policy for the cities – they develop and administer a plan to implement that policy. The CRA acts officially as a body distinct and separate from the governing body, even when it is the same group of people. The CRA has certain powers that the city by itself may not do, such as leverage local public funds (Sales tax and ad valorem). In summary, the CRA does not affect school or state share of taxes. The district merely allows for the CRA Board to enter into a development agreement to rebate a developer with local public funds for the revitalization of blighted areas, within the CRA district.

4. Gautier supports legislation to repeal Senate House Bill No. 3100, Section 42 Housing Law.

For the last eight years, local governments have struggled under the burden of an unfair and expensive law that allows some of the most valuable properties in our counties to escape payment of local property taxes. The continuing situation has serious ramifications for county and city budgets, on school district funding and on the property tax burdens of other hard working local taxpayers.

These federally subsidized developments (called Section 42 properties because their owners receive extremely valuable federal subsidies under Section 42 of the IRS Code in exchange for building them) provide low and moderate income housing. In 2005, the Mississippi Legislature passed a law giving the owners of these multi-million dollar developments another large tax benefit resulting in their payment of little, if any, local property taxes. The bottom line is that for the last eight years, these taxpayers' unfair avoidance of local tax liability has resulted in a substantial loss of revenue to local governments, from hundreds of thousands to millions of dollars, depending on the county in question. As a consequence, the tax breaks have caused an unfair and disproportionate shifting of tax burdens in counties and cities across the state to single family homeowners and less valuable multi-family housing properties, some of which are losing tenants to the federally subsidized properties and struggling to remain in business. Jackson County needs your help to change this law.

Local governments have had enough. The day is fast approaching when local millage rates will have to be raised in order to provide basic services like road maintenance, police and

fire protection and public education to the residents of these developments whose owners do not pay a proportionate share of local taxes, and in some cases no taxes, to help pay for these services.

As a result of the recent court decision, Gautier will be required to refund these section 42 housing developers $101,885.00 and an additional $833,000.00 over the life of the project, or $32,000 per year.

Counties, municipalities and local school districts are once again marshaling resources to convince the legislature to correct this inequity and restore tax fairness to our local communities. We call on our local legislators to vote to repeal the 2005 law that allows Section 42 developments to avoid payment of local taxes that other, less financially able taxpayers are being required to pick up. Property taxes should be based on the local property's true value determined by taking into consideration all factors that lend value to that property. Preventing that in all cases but in the case of these federally subsidized properties is an injustice that can no longer be tolerated. Our legislators must be responsive to this unified cry for help from local governments and schools across the state if they are to retain reputations as supporters of their local constituents and their interests rather than the interests of wealthy developers.

5. **Gautier supports legislation to repeal the 1987 Certificate of Need process for hospital facilities (House Bill 457).**

The antiquated 1974 Certificate of Need process critically hampers the free competition of medical services, driving up costs and severely limiting access to quality healthcare. It's time for Mississippi to remove its certificate-of-need requirement that limits where hospitals, nursing homes and other health care facilities can open and what services they can offer. Facilities that have CONs have a seemingly financial interest in keeping the system in place to minimize their potential competition. The CON process is incredibly lengthy and competing health care facilities get bogged down in protracted legal battles to deny the issuance of a CON rather than let the free market determine the need and demand. For example, if a nursing home wants to add beds or if a medical office wants to add a magnetic resonance imaging machine, each would need to file a CON application that lists details of the proposal, including the cost.

On its website, the Mississippi State Department of Health publishes a timetable for trying to get a certificate of need. Even without opposition from a competing facility, it takes months during a volatile market given federal healthcare reform. With opposition, it can drag on for years; with no guarantee an applicant will be granted a CON. It is time to repeal this 1974 law for the growth of the health care industry, the Coast's medical corridor, and the State.

6. **Gautier supports all efforts on behalf of the Mississippi Gulf Coast Community College's Jackson County Campus.**

   The Jackson County campus is a vital part of Gautier's community. It boasts a strong workforce development program through on-going training partnerships with such Jackson County industries as Huntington Ingalls and ChevronTexaco. MGCCC promotes its community by partnering with local industries such as WLOX TV, The ChevronTexaco Pascagoula Refinery, and Keesler Federal Credit Union. MGCC's campus provides top notch cultural and performing arts facilities.

   The Estuarine Education Center (EEC) provides a great service to the community, giving residents and visitor's tourism opportunities, including birding, photography and paddling. The center is a hub of experientially-based learning, and it will expand environmental and marine technology educational offerings, and add natural resource management and outdoor recreation leadership opportunities, for associate degree programs, community-based outreach programs, and research-based programs.

SUPPORTING DOCUMENTS

Order authorizing the City Manager to forward the 2015 Legislative Priorities Packet to Mississippi Legislators

Resolution for the Repeal of Senate Bill No.3100, Section 42 Housing Law

Resolution 54, A Resolution responding to the Environmental Protection Agency's proposed new rule to define "Waters of the U.S." and place local drainage ways under the permitting and regulatory authority of the U.S. Army Corp of Engineers.

There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi, the following:

RESOLUTION NUMBER 006-2014

The Mayor and Members of the Council of the City of Gautier, Mississippi, took up for consideration the matter of requesting the Mississippi Legislature to support the repeal of certain 2005 legislation, Senate Bill No. 3100, granting ad valorem tax breaks to federally subsidized Section 42 housing properties across Mississippi. After full discussion of the subject, Council Member Vaughan offered and moved the adoption of the following resolution:

RESOLUTION OF THE MAYOR AND MEMBERS OF THE COUNCIL OF THE CITY OF GAUTIER, MISSISSIPPI, URGING THE MISSISSIPPI LEGISLATURE TO REPEAL THAT CERTAIN 2005 LEGISLATION, SENATE BILL NO. 3100, GRANTING AD VALOREM TAX BREAKS TO FEDERALLY SUBSIDIZED SECTION 42 HOUSING PROPERTIES SO THAT THE CITY OF GAUTIER DOES NOT CONTINUE TO LOSE LOCAL TAX REVENUES THAT COULD BE USED TO SUPPORT IMPORTANT CITY OF GAUTIER SERVICES.

WHEREAS, the Mayor and Members of the Council of the City of Gautier, Mississippi (the "City of Gautier"), hereby finds, determines and declares as follows:

I.

Senate Bill No. 3100, passed in the 2005 Regular Session of the Mississippi Legislature, and now codified as Section 27-35-50(4)(d), Mississippi Code of 1972, as amended ("Senate Bill No. 3100"), has been interpreted by the Mississippi State Department of Revenue (the "Department") and the Mississippi Supreme Court (the "Court") to allow certain federally subsidized Section 42 multifamily and, in some cases, single family residences to unfairly escape payment of their entire portion of the City of Gautier's tax burden; and

II.

As a result of the recent Court decision, the City of Gautier will be required to refund these Section 42 developers approximately $101,885.00, with an additional $32,000.00 per year loss to the City, or $833,000.00 over the life of the project; and

III.

Because the Section 42 developers are not paying their entire portion of local taxes, the burden of local taxation is being shifted to other property owners that are not federally subsidized; and

IV.

If Senate Bill No. 3100 is repealed, the tax assessor could return to the use of generally accepted appraisal principles, allowed under prior law, to establish the "true value" of these Section 42 properties by considering the substantial federal subsidies as a part of the property's value and by using typical expenses in calculating the net income generated by these properties; and

V.

If Senate Bill No. 3100 is repealed, the City of Gautier federally subsidized Section 42 developers will no longer enjoy a tax advantage at the expense of the other property owners in the City of Gautier.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Members of the Council of the City of Gautier, Mississippi, that it strongly urges the Mississippi Legislature to repeal Senate Bill 3100 as such action is in the best interest of the City of Gautier and its citizens by decreasing their tax burden and improving local services that the City of Gautier provides such as roads, police and fire protection and infrastructure.

Following the reading of the foregoing resolution, Council Member Martin seconded the motion for its adoption. The Mayor put the question to a vote, and the members voted unanimously to adopt the Resolution and the following vote was recorded:

Mayor Gordon Gollott	AYE
~~Councilmember Mary Martin~~	~~AYE~~
Councilmember Johnny Jones	AYE
Councilmembers Hurley Ray Guillotte	AYE
Councilmember Casey Vaughan	AYE
Councilmember Rusty Anderson	AYE
Councilmember Adam Colledge	AYE

The motion having received the unanimous affirmative vote of the Mayor and Members of Council of the of the City of Gautier, Mississippi, that Mayor declared the motion carried and the resolution adopted, on this the 4th day of February, 2014.

APPROVED BY:

Mayor Gordon Gollott

ATTEST:

City Clerk

There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi the following:

RESOLUTION NUMBER 020-2014

RESOLUTION TO ENSURE THAT MUNICIPAL CONCERNS ARE ADDRESSED IN CLEAN WATER ACT REGULATIONS, INCLUDING THE DEFINITION OF "WATERS OF THE U.S."

WHEREAS, the Clean Water Act and implementing regulations of the past four decades recognize the partnership between federal, state, and local governments to achieve the objectives of the Act; and

WHEREAS, local governments have assumed an ever-increasing share of the cost of achieving those objectives both as a regulator and permittee to maintain and improve water quality; and

WHEREAS, the U.S. Environmental Protection Agency and U.S. Army Corps of Engineers have proposed a rule to define "Waters of the U.S." that could significantly increase the cost and regulatory requirements for local governments and ultimately the costs for local residents and businesses; and

WHEREAS, the proposed rule and budget history for EPA and the Corps do not provide additional federal revenue nor anticipate assistance in the future to help meet the cost of this rule; and

WHEREAS, The United States Conference of Mayors has adopted and maintains policy that opposes legislation to expand Federal jurisdiction under the Clean Water Act unless the associated costs are born solely and entirely by the Federal government and its agencies and not levied as an unfunded mandate on the public and private sectors; and

WHEREAS, much of the anticipated cost of this rule would be financed from municipal resources, and thus divert resources from other essential public services,

NOW, THEREFORE, BE IT RESOLVED, that EPA and the Corps of Engineers suspend consideration of the Waters of the U.S. rule until local governments and other stakeholders are engaged in drafting a rule that addresses to the satisfaction of local governments and other stakeholders the full economic impact for all sections of the Clean Water Act beyond Section 404 (e.g. Sections 301, 311, 401, 402); incorporates the conclusions of the Science Advisory Board, and addresses the concerns of other federal agencies with water management and regulatory responsibilities affected by such a rule; and

BE IT FURTHER RESOLVED, that the rule include the following provisions that are priority concerns for local governments:

1. Separate municipal storm sewers will continue to be regulated and permitted under Section 402 of the Clean Water Act, and shall not be considered, either in their entirely or any individual feature thereof, Waters of the U.S.; and

2. Green infrastructure developed to improve water quality or achieve multiple public benefits shall be encouraged and given priority consideration that does not impose additional financial and regulatory burdens of permittee's and shall not be considered Waters of the United States; and

3. Water delivery, reuse, and reclamation systems and facilities shall not be considered waters of the U.S.; andDitches, streams and other drainage features that protect and ensure the operation of public infrastructure shall not be considered waters of the U.S.; and

4. Wastewater treatment systems and all associated infrastructure shall not be considered waters of the U.S.; and

5. Any proposal to regulate waters within a floodplain, riparian, or any other general area must include a specific definition, including the specific boundaries, of the floodplain, riparian, or other area subject to the rule; and

6. The rule must include sufficient clarity and specificity to better inform regulators and permittees and to minimize the potential for litigation; and

BE IT FURTHER RESOLVED, that failure to address any one or all of these concerns shall be considered an unfunded mandate and the costs of such mandate shall be fully and entirely born by the Federal government.

Motion made by **Councilman Colledge**, seconded by **Councilman Martin** and the following vote was recorded:

AYES: Gordon Gollott
Mary Martin
Johnny Jones
Hurley Ray Guillotte
Casey Vaughan
Rusty Anderson
Adam Colledge

NAYS: None

MAYOR

ATTEST:

CITY CLERK

Passed and Adopted by Mayor and Members of the Council of the City of Gautier, Mississippi, at the meeting of July 1, 2014.

There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi, the following:

ORDER NUMBER 227-2014

IT IS HEREBY ORDERED by the Mayor and Members of the Council of the City of Gautier, Mississippi, that the ratification of the Audited Financial Statements for the year ended September 30, 2013.

IT IS FURTHER ORDERED that the City Manager or City Clerk is authorized to execute any and all documents necessary.

Motion was made by **Councilwoman Martin**, seconded by **Councilman Jones** and the following vote was recorded:

AYES: **Gordon Gollott**
Mary Martin
Johnny Jones
Hurley Ray Guillotte
Casey Vaughan
Rusty Anderson
Adam Colledge

NAYS: **None**

_____
MAYOR

ATTEST:

_____
CITY CLERK

Passed and Adopted by Mayor and Members of the Council of the City of Gautier, Mississippi, at the meeting of October 7, 2014.

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 Vaughan
Councilman	Charles Anderson
Councilman	Adam Colledge

DEPARTMENT HEADS

City Attorney	Robert Ramsay
City Manager	Samantha Abell
City Clerk	Cindy Russell
Police Chief	Dante Elbin
Fire Chief	Robert Jones
Comptroller	Teresa Montgomery
Economic Development Director	Chandra Nicholson
Human Resources Director	Jason Pugh

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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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and Pages 54 through 58 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gautier's basic financial statements. The accompanying the schedule of surety bonds of municipal officials is presented for purposes of additional analysis as required by the State of Mississippi 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 surety bonds of municipal officials 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. However, these additions have not changed my report date which stays June 30, 2014, but has changed my comments on the required supplemental information.

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
Teresa Montgomery	Deputy City Clerk	50,000
Tricia Thigpen	Deputy City Clerk	50,000
Chassity Bilbo	Executive Assistant	50,000
Lekeisha Hill	Administrative Clerk	50,000
Rachel Honea	Administrative Clerk	50,000
Addie Bang	Administrative Clerk	50,000
Veneice Barnett	Accounting/Personnel Clerk	50,000
Kim Sheppard	Accounting/Personnel Clerk	50,000
Lequetta Reddix	Accounting/Personnel Clerk	50,000
Donna Davis	Court Clerk	50,000
Timothy Werner	Deputy Court Clerk	50,000
Milton Ricks, Jr.	Field Supervisor	50,000

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

Hope Merrell	Dispatcher	50,000
Melissa Ezell	Dispatcher	50,000
Carey Faulkner	Dispatcher	50,000
Marc Lebhart	Dispatcher	50,000
Don Sawyer	Dispatcher	50,000
Keisha Keyes	Dispatcher	50,000
Alexis Barnes	Dispatcher	50,000
Kena Ehlers	Dispatcher	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

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
Gautier, Mississippi 39553

228-497-2788

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.

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

4321 Gautier Vancleave Rd. Suite A
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.
CERTIFIED PUBLIC ACCOUNTANT

4321 Gautier Vancleave Rd. Suite A
Gautier, Mississippi 39553

(228)-497-2788

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 September 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.

There came for consideration of the Mayor and Members of the Council of the City of Gautier, Mississippi, the following:

ORDER NUMBER 228-2014

IT IS HEREBY ORDERED by the Mayor and Members of the Council of the City of Gautier, Mississippi that the Construction Engineering & Inspection Services Contract with Neel-Schaffer, Inc. for the Transportation Enhancement Project (Streetscape Improvements) as presented is hereby authorized.

IT IS FURTHER ORDERED that the upset cost limit for the above referenced project is $65,120.79.

IT IS FURTHER ORDERED that the City Manager or City Clerk is authorized to execute any and all documents necessary.

Motion was made by **Councilwoman Martin** seconded by **Councilman Colledge** and the following vote was recorded:

AYES: **Gordon Gollott**
Mary Martin
Johnny Jones
Hurley Ray Guillotte
Casey Vaughan
Rusty Anderson
Adam Colledge

NAYS: **None**

_____
MAYOR

ATTEST:

_____
CITY CLERK

Passed and Adopted by Mayor and Members of the Council of the City of Gautier, Mississippi, at the meeting of October 7, 2014.

CITY OF GAUTIER
MEMORANDUM

To: Samantha Abell, City Manager

From: Patty Huffman, Grants & Projects Manager

Through: Chandra Nicholson, Economic Development and Planning Director

Date: September 29, 2014

Subject: Construction Engineering & Inspection Services Contract with Neel-Schaffer for the Transportation Enhancement Project (Streetscape Improvements) STP-0494-00(008)LPA/106378-701000

REQUEST:

The Economic Development and Planning Department requests authorization for the City of Gautier to enter into a Construction Engineering & Inspection Services Contract with Neel-Schaffer, Inc. for the Transportation Enhancement Project (Streetscapes Improvement).

BACKGROUND:

The Economic Development and Planning Department requests authorization to enter into a contract with Neel-Schaffer, Inc. for Construction Engineering & Inspection Services for the above referenced project for an upset cost limit of $65,120.79. This project includes improving and expanding the existing pedestrian/bicycle access walks within the downtown area along a 1.5 mile stretch of Highway 90 from Beasley Road to Ladnier Road, along a 0.22 mile stretch of William Payne Adams Road from Dolphin Drive to Beasley Road, and along a 0.17 mile stretch of City property between William Payne Adams Road and Highway 90. These improvements include: wide multiuse sidewalks, brick paver seating areas, trash receptacles, brick paver crosswalks, pedestrian lighting installation, and pond fountains. All facilities will be ADA accessible.

DISCUSSION:

The Mississippi Department of Transportation has reviewed the CE & I contract and given permission to proceed with contract execution.

RECOMMENDATION:

City staff recommends that City Council authorize entering into the Construction Engineering & Inspection Services Contract with Neel-Schaffer, Inc. as described above. The City Council may:

1. authorize entering into the CE & I Services Contract as presented; or
2. authorize entering into the CE & I Services Contract with changes; or
3. disapprove entering into the CE & I Services Contract as presented.

ATTACHMENT(S):

MDOT Contract Review Letter

Mark C. McConnell
Deputy Executive Director/
Chief Engineer

Charles R. Carr
Director
Office of Intermodal Planning

MDOT
MISSISSIPPI DEPARTMENT OF TRANSPORTATION

Lisa M. Hancock
Deputy Executive Director/
Administration

Willie Huff
Director
Office of Enforcement

Melinda L. McGrath
Executive Director

P. O. Box 1850 / Jackson, Mississippi 39215-1850 / Telephone (601) 359-7001 / FAX (601) 359-7110 / www.GoMDOT.com

July 17, 2014

City of Gautier
Ms. Samantha Abell
3330 US Highway 90
Gautier, MS 39553

RE: Construction Engineering and Inspection Contract Review
STP-0494-00(008)LPA / 106378-701000
City of Gautier – Streetscape Improvements Project
Jackson County

Dear Ms. Samantha Abell,

The Consultant Services Unit has reviewed the Construction Engineering & Inspection (CE&I) Services Contract for the above referenced project.

Attached please find two (2) signed originals of the CE&I Services Contract with **Neel-Schaffer, Inc.** (the Consultant) for an upset cost limit of **$65,120.79** on the above referenced project. We have verified that the correct boiler-plate contract has been used.

The LPA may execute the CE&I contract with the Consultant when appropriate. Please request that the LPA send one (1) copy of the fully executed contract and Notice to Proceed (NTP) to the LPA Division (Attention: Necole Baker), the MDOT District LPA Coordinator, and Consultant Services Unit (Attention: Scot Ehrgott).

As a brief explanation of the Labor Hour (CE&I) contract process, understand all Rates and Classifications established in the contract MUST match the invoices billed for the project. This will also include names if listed in the Contract. Please be sure to send your Exhibit 3, Fee Proposal Billing Rate Table, and the Fee Proposal Hour Distribution/Labor Cost Sheet to your accounting department. If additional personnel is needed after the Contract has been executed, the Consultant MUST have approval by the LPA and MDOT prior to proceeding.

As a reminder, any supplemental agreements must be forwarded to the MDOT for concurrence prior to being executed and any work conducted under this Contract on non-participating items cannot be reimbursed.

Please contact me if you have any questions.

Sincerely,

Scot Ehrgott, P.E.
MDOT Director of Consultant Services

SE/sh

Attachments

Cc:	77-01 LPA Division	{Baker}
	26-01 District 6	{Seyfarth}

Mayor
Gordon T. Gallott

Council
At Large Mary F. Martin
Ward 1 Johnny Jones
Ward 2 Hurley Ray Guillotte
Ward 3 Casey C. Vaughan
Ward 4 Charles "Rusty" Anderson
Ward 5 Adam D. Colledge

City of Gautier

Gautier, Mississippi

City Manager
Samantha D. Abell

City Clerk
Cynthia Russell

3330 Highway 90
Gautier, MS 39553
Phone: (228) 497-8000
Fax: (228) 497-8028
Email: gautier@gautier-ms.gov
Website: www.gautier-ms.gov

June 3, 2014

David H. Seyfarth, P.E., P.S.
District 6 LPA Coordinator
Mississippi Department of Transportation
16499#B Highway 49, N. Trailer
Saucier, MS 39574

RE: Consultant Procurement
Gautier Streetscape Improvements
Project No. STP-0494-00(008)LPA/106378-701000
Jackson County

Dear David:

With this letter, the City of Gautier (LPA) requests to use Small Purchase Procedures as outlined in the Local Public Agency Consultant Operating Procedures for Professional Services, Section 2.2.1 Small Purchase Procedures to enter into a Construction Engineering and Inspection Contract, including testing, with Neel-Schaffer. The total costs for all professional services associated with all phases of the project utilizing federal funds for the consultant are estimated to be less than the Federal simplified acquisition threshold of $150,000 for A & E Services.

The City considered using the following firms for this project:

- Neel-Schaffer
- Compton Engineering
- Batson & Brown

After considerations such as location, expertise, work load, experience on similar projects, etc., the City chose to negotiate with Neel-Schaffer.

Thank you for your time and consideration. Please call Chandra Nicholson at (228) 806-1285 if you have any questions, concerns, or comments.

Sincerely,

Samantha D Abell

Samantha D. Abell, City Manager
(Chief LPA Official)

cc: Jeff Altman, P.E. MDOT State LPA Engineer
Chandra Nicholson, Director Economic Development & Planning
Dennis Reeves, Neel-Schaffer
File

ESC
Rev. 06/05/09 (Base)
Rev. 4/16/14 (This form)
04/23/2014

CONSTRUCTION ENGINEERING & INSPECTION SERVICES CONTRACT

Gautier Streetscape Improvements
Project No. ***STP-0494-00(008)LPA/106378-701000***
Jackson County

THIS CONTRACT, is made and entered into by and between the ***City of Gautier***, a body Politic of the State of Mississippi (the "LPA"), and ***Neel-Schaffer, Inc.*** (the "CONSULTANT"), a ***Mississippi Corporation,*** duly registered to do business in the State of Mississippi, whose address for mailing is ***707 Watts Avenue, Suite C, Pascagoula, Mississippi, 39567,*** effective as of the date of latest execution below.

WITNESSETH:

WHEREAS, the LPA proposes to perform the construction engineering services for ***Gautier Streetscape Improvements, as provided in Federal Aid Project No. STP-0494-00(008)LPA/106378-701000***, hereinafter called the "PROJECT" and more specifically described as improving and expanding the existing pedestrian/bicycle access walks within the downtown area along a 1.5 mile stretch of Highway 90 from Beasley Road to Ladnier Road, along a 0.22 mile stretch of William-Payne-Adams Road form Dolphin Drive to Beasley Road, and along a 0.17 mile stretch of City property between William-Payne-Adams Road and Highway 90. These improvements include: wide multiuse sidewalks, brick paver seating areas, trash receptacles, brick paver crosswalks, pedestrian lighting installation and pond fountains. All facilities will be ADA accessible; and,

WHEREAS, the LPA desires to engage a qualified and experienced CONSULTANT to perform engineering services in connection with the PROJECT, all of which are hereinafter called the "SERVICES"; and,

WHEREAS, the CONSULTANT has represented to the LPA that it is experienced and qualified to provide those services, and the LPA has relied upon such representation; and,

WHEREAS, the CONSULTANT herein was chosen for their expertise in performing the services in connection with the PROJECT and found satisfactory by the LPA; which is now desirous of entering into a contract; and

WHEREAS, the CONSULTANT herein was chosen through the LPA Consultant Selection Process pursuant to Mississippi Department of Transportation (hereinafter "MDOT") LPA Project Development Manual and pursuant to Federal Highway Administration ("FHWA") regulations, Engineering and Design Related Service Contracts, 23 C.F.R. Part 172 (as amended) and found satisfactory;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein and for other good and valuable considerations flowing unto the parties, the receipt and sufficiency of which is hereby acknowledged, the LPA and the CONSULTANT do hereby contract and agree as follows:

ARTICLE I. GENERAL RECITALS

CONSULTANT shall, for the agreed fees, furnish all engineering services and materials required to perform the tasks described in the Scope of Work for the proposed transportation project. In so doing, CONSULTANT shall meet the current industry standards (and those MDOT and LPA standards specified in Exhibit 2) as to general format and content and in addition thereto, any special requirements of the LPA.

THE LPA, in support of CONSULTANT will provide the CONSULTANT a Scope of Work shown in "Exhibit 2" hereto and any other data which may be of assistance to CONSULTANT and within the possession and control of the LPA.

Manuals, guides, and specifications applicable to this CONTRACT shall be those approved and/or adopted by MDOT and in effect on the effective date of this CONTRACT, unless otherwise specified in this Contract or subsequently directed by MDOT during the course of the CONTRACT.

ARTICLE II. SCOPE OF WORK

The CONSULTANT shall conduct the SERVICES in accordance with the Scope of Work attached to this CONTRACT as "Exhibit 2" and made a part hereof as if fully set forth herein. The performance of the SERVICES referred to in "Exhibit 2" shall be the primary basis for measurement of performance under this CONTRACT. The LPA specifically reserves the right and privilege to enlarge or reduce the scope; or to cancel this CONTRACT at any time.

ARTICLE III. CONTRACT TERM

This CONTRACT shall commence upon the latest date of execution below and continue until such time as the above named project is successfully completed to the satisfaction of the LPA at which time this CONTRACT shall absolutely and finally terminate.

The construction engineering services of the CONSULTANT under this contract shall start with the **date of FHWA/MDOT concurrence in the award of the construction contract by the LPA,** and be completed within 60 days after the final inspection and acceptance of the construction work performed by others. The services of the CONSULTANT are anticipated to be needed and completed in an expedient manner. It is understood that construction progress of force account work by the LPA and/or contractor's work shall influence the time period for the CONSULTANT's services. Therefore, it is necessary that construction be completed in accordance with the original time limit set forth in the original construction schedule. The estimated fees in the Cost/Fee breakdown are based on the initial construction time estimate as included in the Contract Documents. If the construction time extends beyond the contract time, through no fault of the CONSULTANT, the LPA agrees to pay the CONSULTANT for the construction engineering services to complete the project with or without Federal participation, subject to approval by MDOT and FHWA.

During the term of this CONTRACT, the LPA reserves the right to terminate this CONTRACT, subject to the approval of MDOT, in whole or in part, at any time, with or without cause, upon seven (7) days written notice to the CONSULTANT, notwithstanding any just claims by the CONSULTANT for payment of SERVICES rendered prior to the date of termination. The LPA must receive written approval from the MDOT Executive Director on behalf of the Mississippi Transportation Commission before the LPA can terminate this CONTRACT. The LPA shall be liable only for the costs, fees and expenses for demobilization and close out of contract, based on actual time and expenses incurred by CONSULTANT in the packaging and shipment of all documents covered by this CONTRACT to the LPA. In no event shall the LPA be liable for lost profits or other consequential damages.

ARTICLE IV. TIME OF PERFORMANCE

TIME IS OF THE ESSENCE IN THIS CONTRACT. The CONSULTANT shall be prepared to perform its responsibilities for providing SERVICES commencing on the date of execution of the CONTRACT.

A Notice to Proceed shall be issued under authority from the LPA within 30 days after final execution of this CONTRACT. The CONSULTANT may not begin work on any feature of this PROJECT prior to receiving a Notice to Proceed from the LPA.

ARTICLE V. RELATIONSHIP OF THE PARTIES

The relationship of the CONSULTANT to the LPA is that of an independent contractor, and said CONSULTANT, in accordance with its status as an independent contractor, covenants and agrees that it will conduct itself consistent with such status, that it will neither hold itself out as, nor claim to be, an officer or employee of the LPA by reason hereof. The CONSULTANT will not by reason hereof, make any claim, demand or application or for any right or privilege applicable to an officer or employee of the LPA, including but not limited to workers' compensation coverage, unemployment insurance benefits, social security coverage, retirement membership or credit, or any form of tax withholding whatsoever.

All notices, communications, and correspondence between the LPA and the CONSULTANT shall be directed to the key personnel and agents designated in this contract.

ARTICLE VI. COMPENSATION, BILLING & AUDIT

A. Cost and Fees

The CONSULTANT shall be paid on the basis set forth in "Exhibit 3" to this CONTRACT. Under no circumstances shall the LPA be liable for any amounts, including any costs, which exceed the maximum dollar amount of compensation that is specified in and set forth in "Exhibit 3".

B. Monthly Billing

The CONSULTANT may submit monthly billing to the LPA. (A sample of a preferred invoice is attached as "Exhibit 4".) Each billing shall include all time and allowable expenses through the end of the billing period. Direct expenses, as used herein, include the costs of travel, subsistence, shipping charges, long distance telephone calls and printing if it is not company accounting policy to include these costs in overhead rates. The LPA retains the right to verify time and expense records by audit of any or all CONSULTANT's time and accounting records at any time during the life of the CONTRACT and up to three years thereafter.

If SERVICES are rendered within a given State fiscal year, an invoice requesting payment from the CONSULTANT shall be presented to the LPA within 60 days of the end of the State fiscal year. **Should the CONSULTANT fail to present the invoice within the allotted time, legislative approval may be required before payment can be rendered.**

The CONSULTANT further agrees that FHWA or any other Federal Agency may audit the same records at any time during the life of the CONTRACT and up to three years thereafter, should the funding source for all or any part of the CONTRACT be funds of the United States of America.

C. Record Retention

The CONSULTANT shall maintain all time and expense records incurred on the PROJECT and used in support of its proposal and shall make such material available at all reasonable times during the period of the CONTRACT and for three years from the date of final payment under this CONTRACT for inspection by the LPA, and copies thereof shall be furnished upon request, at the LPA's expense. The CONSULTANT agrees that the provisions of this Article shall be included in any CONTRACT it may make with any subcontractors, assignees or transferees.

D. Retainage

The LPA shall retain 5% of the CONSULTANT'S invoiced amount until the final payment request has been received and an audit of the total PROJECT cost to date has been completed by the LPA or its designee.

ARTICLE VII. FINAL PAYMENT

The CONSULTANT agrees that acceptance of the final payment shall be in full and final settlement of all claims arising against the LPA for work done, documents furnished, cost incurred, or otherwise arising out of

this CONTRACT and shall release the LPA from any and all further claims of whatever nature, whether known or unknown, for and on account of said CONTRACT, including payment for any and all work done, and labor and material furnished in connection with the same. Errors and/or omissions discovered subsequent to the acceptance by the LPA of the final contract documents shall be corrected by the CONSULTANT without additional compensation.

ARTICLE VIII. REVIEW OF WORK

Authorized representatives of the LPA may at all reasonable times review and inspect the SERVICES under this CONTRACT and any addenda or amendments thereto. Authorized representatives of the FHWA may also review and inspect the SERVICES under this CONTRACT should funds of the United States of America be in any way utilized in payment for said SERVICES. Such inspection shall not make the United States of America a party to this CONTRACT, nor will FHWA interfere with the rights of either party hereunder.

All reports, drawings, studies and maps prepared by and for the CONSULTANT, shall be made available to authorized representatives of the LPA for inspection and review at all reasonable times in the General Offices of the LPA. Authorized representatives of the FHWA may also review and inspect said reports, drawings, studies and maps prepared under the CONTRACT should funds of the United States of America be in any way utilized in payment for the same. Acceptance by the LPA shall not relieve the CONSULTANT of its professional obligation to correct, at its expense, any of its breaches, errors and/or omissions, in the final version of the work.

The CONSULTANT shall be responsible for performance of and compliance with all terms of this CONTRACT, including the Scope of Work and other exhibits attached to this contract, and including any technical specifications and special requirements of the LPA, and shall be responsible for errors and/or omissions, including those as to conduct and care, format and content, for all aspects of the CONTRACT, and including professional quality and technical accuracy of all designs, drawings, specifications, and other services furnished by the CONSULTANT.

Failure to comply with any terms of this CONTRACT shall be corrected by the CONSULTANT without additional compensation.

If any breach of CONTRACT, is discovered by LPA personnel after final acceptance of the work by the LPA, then the CONSULTANT shall, without additional compensation, cure any deficiency or breach including errors and/or omissions in designs, plans, drawings, specifications, or other services.

In the event that the project schedule requires that a breach of this CONTRACT be corrected by someone other than the CONSULTANT then the actual costs incurred by the LPA for such corrections shall be the responsibility of the CONSULTANT. The LPA shall give the CONSULTANT an opportunity to correct said breach unless (1) the LPA determines, in its sole discretion, that the CONSULTANT cannot cure the breach within the schedule established by the LPA, or (2) the LPA determines, in its sole discretion, that the CONSULTANT cannot cure the breach to the satisfaction of the LPA.

In the event that the CONSULTANT breaches this CONTRACT, and the breaches of the CONSULTANT are discovered during the construction phase, then an accounting of all costs incurred by the LPA resulting from such breach, including errors and/or omissions, will be made and such amount will be recovered from the CONSULTANT.

ARTICLE IX. RESPONSIBILITIES FOR CLAIMS AND LIABILITY

The CONSULTANT shall indemnify, defend and hold harmless the LPA and all its officers, agents and employees from any claim, loss, damage, cost, charge or expense arising out of any negligent act, actions, neglect

or omission by the CONSULTANT, its agents, employees, or subcontractors during the performance of this CONTRACT, whether direct or indirect, and whether to any person or property for which LPA or said parties may be subject, except that neither the CONSULTANT nor any of his agents or subcontractors will be liable under this provision for damages arising out of the injury or damage to persons or property solely caused or resulting from the negligence of the LPA or any of its officers, agents or employees.

The CONSULTANT'S obligations under this Article, including the obligations to indemnify, defend, hold harmless, pay reasonable attorney fees or, at the LPA'S option, participate and associate with the LPA in the defense and trial or arbitration of any damage claim, lien or suit and any related settlement negotiations, shall be initiated by the LPA'S notice of claim for indemnification to the CONSULTANT. Only an adjudication or judgment after the highest appeal is exhausted specifically finding the LPA entirely responsible shall excuse performance of this provision by the CONSULTANT. In such case, the LPA shall pay all costs and fees related to this obligation and its enforcement. Should there be a finding of dual or multiple liability, costs and fees shall be apportioned accordingly.

In conjunction herewith, the LPA agrees to notify CONSULTANT in writing as soon as practicable after receipt or notice of any claim involving CONSULTANT. These indemnities shall not be limited by reason of the listing of any insurance coverage below.

ARTICLE X. INSURANCE

Prior to beginning the work, the CONSULTANT shall obtain and furnish certificates to the LPA for the following minimum amounts of insurance:

A. Workers' Compensation Insurance in accordance with the laws of the State of Mississippi.

B. Public Liability Insurance in an amount not less than one million dollars ($1,000,000.00) on account of any one occurrence.

C. Property Damage Insurance in an amount not less than five hundred thousand dollars ($500,000.00) from damages on account of any one occurrence, with an aggregate limit of not less than one million dollars ($1,000,000.00).

D. Valuable Documents Insurance, whether as a part of the property damage insurance referenced above or as separate insurance, in an amount sufficient to cover all costs associated with repairing, restoring or replacing any documents kept or created by Consultant as a part of the Services, in the event of casualty to, or loss or theft of such documents.

E. Errors and Omissions Insurance, in an amount not less than one million dollars ($1,000,000.00) per incident; one million dollars ($1,000,000.00) aggregate.

F. Comprehensive Automobile Liability Insurance, with a combined single limit for bodily injury and property damage of not less than one million dollars ($1,000,000.00) per incident with respect to CONSULTANT"s (owned, hired or non-owned) vehicles, assigned to or used in the performance of services.

The LPA shall be listed as a certificate holder of insurance on any of the insurance required under this CONTRACT.

In the event that the CONSULTANT retains any subcontractor or other personnel to perform SERVICES or carry out any activities under or incident to work on any project or phase of this CONTRACT, CONSULTANT agrees to obtain from said subcontractor or other personnel, certificates of insurance demonstrating that said subcontractor or other personnel has sufficient coverage, or to include said

subcontractor or other personnel within CONSULTANT's coverage for the duration of said PROJECT or phase for which said subcontractor or other personnel is employed.

The Insurance coverage recited above shall be maintained in full force and effect by CONSULTANT during the life of this CONTRACT. Should CONSULTANT cease to carry the errors and omissions coverage listed above for any reason, it shall obtain "tail" coverage at the same limits for a period of not less than three (3) years subsequent to policy termination or contract termination, whichever is longer. Should CONSULTANT change insurance carriers for errors and /or coverage, it shall obtain a "retroactive coverage" endorsement from its new insurance carrier.

Insurance carriers must be admitted to do business in the State of Mississippi by the Mississippi Insurance Department.

A certificate of insurance acceptable to the LPA shall be issued to the LPA by the CONSULTANT prior to the execution of this CONTRACT by the CONSULTANT and thereafter on an annual basis for the duration of this CONTRACT as evidence that policies providing the required coverage, conditions and limits are in full force and effect. Such certificate shall identify this CONTRACT and contain provisions that coverage afforded under the policies will not be cancelled, terminated, or materially altered until at least thirty (30) days prior written notice has been given to the LPA.

The CONSULTANT will furnish certified copies, upon request, of any or all of the policies and/or endorsements to the LPA prior to the execution of this CONTRACT and thereafter on an annual basis for the duration of this CONTRACT.

The CONSULTANT shall provide the LPA any and all documentation necessary to prove compliance with the insurance requirements of this CONTRACT as such documentation is requested, from time to time, by the LPA.

If the CONSULTANT fails to procure or maintain required insurance, the LPA may immediately elect to terminate this CONTRACT or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, and all monies so paid by the LPA shall be repaid by the CONSULTANT to the LPA upon demand, or the LPA may offset the cost of the premiums against any monies due to the CONSULTANT from the LPA.

ARTICLE XI. COVENANT AGAINST CONTINGENT FEES AND LOBBYING

The CONSULTANT shall comply with the relevant requirements of all federal, state or local laws. The CONSULTANT warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the CONSULTANT, to solicit or secure this CONTRACT, and that it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the CONSULTANT, any fee commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award or making of the CONTRACT. The CONSULTANT warrants that it shall not contribute any money, gift or gratuity of any kind, either directly or indirectly to any employee of the LPA, or to any employee of the Mississippi Department of Transportation. For breach or violation of this warranty, the LPA shall have the right to terminate this CONTRACT without liability, and the CONSULTANT shall forfeit any sums due hereunder at the time of such breach and may be barred from performing any future services for the LPA or participating in any future contracts with the LPA.

ARTICLE XII. EMPLOYMENT OF LPA'S PERSONNEL

The CONSULTANT shall not employ any person or persons in the employ of the LPA for any work required by the terms of this CONTRACT, without the written permission of the LPA, except as may otherwise be provided for herein.

ARTICLE XIII. MODIFICATION

If, prior to the satisfactory completion of the SERVICES under this CONTRACT, the LPA materially alters the scope, character, complexity or duration of the SERVICES from those required under this CONTRACT, a supplemental agreement may be executed between the parties. Also, a supplemental agreement may be executed between the parties in the event that both parties agree the CONSULTANT's compensation should be increased due to an unanticipated increase in the nature, scope or amount of work necessary to properly provide the SERVICES required on any particular phase or project begun hereunder.

Oral agreements or conversations with the LPA, any individual member of the LPA, officer, agent, or employee of the Mississippi Department of Transportation, either before or after execution of this CONTRACT, shall not affect or modify any of the terms or obligations contained in this CONTRACT. All modifications to this CONTRACT, amendments or addenda thereto must be submitted in writing and signed by the parties thereto before any work is commenced.

The CONSULTANT may not begin work on any modifications, amendments, or addenda prior to receiving a Notice to Proceed.

Minor changes in the proposal which do not involve changes in the compensation, extensions of time or changes in the goals and objectives of the CONTRACT may be made by written notification of such change by either the LPA or the CONSULTANT to the other party, and shall become effective upon written acceptance thereof (i.e. letter agreement).

ARTICLE XIV. SUBLETTING, ASSIGNMENT OR TRANSFER

It is understood by the parties to this CONTRACT that the work of the CONSULTANT is considered personal by the LPA. The CONSULTANT shall not assign, sublet or transfer any or all of its interest in this CONTRACT without prior written approval of the LPA. Under no circumstances will CONSULTANT be allowed to sublet more than 60% of the work required under this contract. It is clearly understood and agreed that specific projects or phases of the work may be sublet in their entirety provided that CONSULTANT performs at least 40% of the overall contract with its own forces. Consent by the LPA to any subcontract shall not relieve CONSULTANT from any of its obligations hereunder, and CONSULTANT is required to maintain final management responsibility with regard to any such subcontract.

The LPA reserves the right to review all subcontract documents prepared in connection with this CONTRACT, and the CONSULTANT agrees that it shall submit to the LPA any proposed subcontract document together with subcontractor cost estimates for review and written concurrence of the LPA in advance of their execution.

The CONSULTANT shall make prompt payment to all subconsultants no later than 15 days from receipt of each payment the LPA makes to the CONSULTANT. Each month, the CONSULTANT shall submit OCR-484-C found on MDOT's website to the LPA along with the Invoice. This form certifies payments to all Subconsultants and shows all firms even if the CONSULTANT has paid no monies to the firm during that estimate period (negative report).

ARTICLE XV. OWNERSHIP OF PRODUCTS AND DOCUMENTS AND WORK MADE FOR HIRE

The CONSULTANT agrees that all reports, computer information and access, drawings, studies, notes, maps and other data, prepared by and for them under the terms of this CONTRACT shall be delivered to, become and remain in the property of the LPA upon creation and shall be delivered to the LPA upon termination or completion of work, or upon request of the LPA regardless of any claim or dispute between the parties. All such data shall be delivered within thirty (30) days of receipt of a written request by the LPA.

The CONSULTANT and the LPA intend and agree that this CONTRACT to be a contract for services and each party considers the products and results of the services to be rendered by the CONSULTANT hereunder, including any and all material produced and/or delivered under this CONTRACT (the "Work"), to be a "work made for hire" under U.S. copyright and all applicable laws. The CONSULTANT acknowledges and agrees that the LPA owns all right, title, and interest in and to the Work including, without limitation, the copyright thereto and all trademark, patent, and all intellectual property rights thereto.

If for any reason the Work would not be considered a work made for hire under applicable law, or in the event this CONTRACT is determined to be other than a contract or agreement for a work made for hire, the CONSULTANT does hereby transfer and assign to the LPA, and its successors and assigns, the entire right, title, and interest in and to any Work prepared hereunder including, without limitation, the following: the copyright and all trademark, patent, and all intellectual property rights in the Work and any registrations and copyright, and/or all other intellectual property, applications relating thereto and any renewals and extensions thereof; all works based upon, derived from, or incorporating the Work; all income, royalties, damages, claims, and payments now or hereafter due or payable with respect thereto; all causes of action, either in law or in equity, for past, present, or future infringement based on the copyrights and/or all other intellectual property; all rights, including all rights to claim priority, corresponding to the foregoing in the United States and its territorial possessions and in all foreign countries. The CONSULTANT agrees to execute all papers and perform such other proper acts as the LPA may deem necessary to secure for the LPA or its designee the rights herein assigned.

The LPA may, without any notice or obligation of further compensation to the CONSULTANT, publish, re-publish, anthologize, use, disseminate, license, or sell the Work in any format or medium now known or hereafter invented or devised. The LPA'S rights shall include, without limitation, the rights to publish, re-publish, or license a third party to publish, re-publish, or sell the Work in print, on the World Wide Web, or in any other electronic or digital format or database now known or hereafter invented or devised, as a separate isolated work or as part of a compilation or other collective work, including a work different in form from the first publication, and to include or license a third party to include the Work in an electronic or digital database or any other medium or format now known or hereafter invented or devised.

The CONSULTANT shall obtain any and all right, title, and interest to all input and/or material from any third party subconsultant, or any other party, who may provide such input and/or material to any portion of the Work so that said right, title, and interest, and all such interest in and to the Work including, without limitation, the copyright thereto and all trademark, patent, and all intellectual property rights thereto, shall belong to the LPA.

For any intellectual property rights currently owned by third parties or by the CONSULTANT and not subject to the terms of this CONTRACT, the CONSULTANT agrees that it will obtain or grant royalty-free, nonexclusive, irrevocable license(s) for or to the LPA at no cost to the LPA to use all copyrighted or copyrightable work(s) and all other intellectual property which is incorporated in the material furnished under this CONTRACT. Further, the CONSULTANT warrants and represents to the LPA that it has obtained or granted any and all such licensing prior to presentation of any Work to the LPA under this CONTRACT. This obligation of the CONSULTANT does not apply to a situation involving a third party who enters a license agreement directly with the LPA.

The CONSULTANT warrants and represents that it has not previously licensed the Work in whole or in part to any third party and that use of the Work in whole or in part will not violate any rights of any kind or nature whatsoever of any third party. The CONSULTANT agrees to indemnify and hold harmless the LPA, its successors, assigns and assignees, and its respective officers, directors, agents and employees, from and against any and all claims, damages, liabilities, costs and expenses (including reasonable attorneys' fees),

arising out of or in any way connected with any breach of any representation or warranty made by CONSULTANT herein.

ARTICLE XVI. PUBLICATION AND PUBLICITY

The CONSULTANT agrees that it shall not for any reason whatsoever communicate to any third party, with the exception of the MDOT and the FHWA, in any manner whatsoever concerning any of its CONTRACT work product, its conduct under the CONTRACT, the results or data gathered or processed under this CONTRACT, which includes, but is not limited to, reports, computer information and access, drawings, studies, notes, maps and other data prepared by and for the CONSULTANT under the terms of this CONTRACT, without prior written approval from the LPA, unless such release or disclosure is required by judicial proceeding. The CONSULTANT agrees that it shall immediately refer any third party who requests such information to the LPA and shall also report to the LPA any such third party inquiry, with the exception of the MDOT and/or the FHWA. This Article shall not apply to information in whatever form that comes into the public domain, nor shall it restrict the CONSULTANT from giving notices required by law or complying with an order to provide information or data when such order is issued by a court, administrative agency or other authority with proper jurisdiction, or if it is reasonably necessary for the CONSULTANT to defend itself from any suit or claim.

IT IS FURTHER AGREED, that all approved releases of information, findings, and recommendations shall include a disclaimer provision and that all published reports shall include that disclaimer on the cover and title page in the following form:

The opinions, findings, and conclusions in this publication are those of the author(s) and not necessarily those of the Local Public Agency, Mississippi Department of Transportation, Mississippi Transportation Commission, the State of Mississippi, or the Federal Highway Administration.

ARTICLE XVII. CONTRACT DISPUTES

This CONTRACT shall be deemed to have been executed in **Jackson County**, Mississippi, and all questions including, but not limited to, questions of interpretation, construction and performance shall be governed by the laws of the State of Mississippi, excluding its conflicts of laws provisions, and any litigation with respect to this CONTRACT shall be brought in a court of competent jurisdiction in **Jackson County**, State of Mississippi. The CONSULTANT expressly agrees that under no circumstances shall the LPA be obligated to or responsible for payment of an attorney's fee for the cost of legal action to or on behalf of the CONSULTANT.

ARTICLE XVIII. COMPLIANCE WITH APPLICABLE LAW

A. The undersigned certify that to the best of their knowledge and belief, the foregoing is in compliance with all applicable laws.

B. The CONSULTANT shall observe and comply with all applicable federal, state, and local laws, rules and regulations, policies and procedures, ordinances, and orders and decrees of bodies or tribunals of the United States of America or any agency thereof, the State of Mississippi or any agency thereof, and any local governments or political subdivisions, that are in effect at the time of the execution of this CONTRACT or that may later become effective.

C. The CONSULTANT shall not discriminate against any employee nor shall any party be subject to discrimination in the performance of this CONTRACT because of race, creed, color, sex, national origin, age or disability.

D. IT IS FURTHER SPECIFICALLY AGREED that the CONSULTANT shall comply and shall require its subcontractors to comply with the regulations for COMPLIANCE WITH

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964, as amended, and all other applicable federal regulations as stated in "Exhibit 5" which is incorporated herein by reference.

E. It is agreed that the CONSULTANT will comply with the provisions set forth in Department of Transportation, 49 CFR, Section 18, Et Seq., regarding Uniform Administrative Requirements for Grants and Cooperative agreements in its administration of this CONTRACT or any subcontract resulting herefrom.

F. The CONSULTANT agrees that it will abide by the provisions of 49 CFR Section 26 regarding disadvantaged business enterprises and include the certification made in "Exhibit 5" to this CONTRACT in any and all subcontracts which may result from this CONTRACTS.

G. The CONSULTANT shall comply and shall require its subconsultants to comply with Code of Federal Regulations CFR 23 Part 634 - Worker Visibility – as stated in "Exhibit 5".

H. IMMIGRANT STATUS CERTIFICATION. The CONSULTANT represents that it is in compliance with the Immigration Reform and Control Act of 1986 (Public Law 99-603), as amended, in relation to all employees performing work in the State of Mississippi and does not knowingly employ persons in violation of the United States immigration laws. The CONSULTANT further represents that it is registered and participating in the Department of Homeland Security's E-Verify™ employment eligibility verification program, or successor thereto, and will maintain records of compliance with the Mississippi Employment Protection Act including, but not limited to, requiring compliance certification from all subcontractors and vendors who will participate in the performance of this Agreement and maintaining such certifications for inspection if requested. The CONSULTANT acknowledges that violation may result in the following: (a) cancellation of any public contract and ineligibility for any public contract for up to three (3) years, or (b) the loss of any license, permit, certification or other document granted by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year, or (c) both. The CONSULTANT also acknowledges liability for any additional costs incurred by the LPA due to such contract cancellation or loss of license or permit. The CONSULTANT is required to provide the certification on Exhibit 9 in this CONTRACT to the LPA verifying that the CONSULTANT and subconsultant(s) are registered and participating in E-Verify prior to execution of this CONTRACT

I. The covenants herein shall, except as otherwise provided, accrue to the benefit of and be binding upon the successors and assigns of the parties hereto.

ARTICLE XIX. WAIVER

Failure of either party hereto to insist upon strict compliance with any of the terms, covenants, and conditions hereof shall not be deemed a waiver or relinquishment of any similar right or power hereunder at any subsequent time, or of any other provision hereof, nor shall it be construed to be a modification of the terms of this CONTRACT.

ARTICLE XX. SEVERABILITY

If any terms or provisions of this CONTRACT are prohibited by the laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder of this CONTRACT shall not be affected thereby and each term and provision of this CONTRACT shall be valid and enforceable to the fullest extent permitted by law.

ARTICLE XXI. ENTIRE AGREEMENT

This CONTRACT constitutes the entire agreement of the parties with respect to the subject matter contained herein and supersedes and replaces any and all prior negotiations, understandings, and agreements, written or oral, between the parties relating thereto.

ARTICLE XXII. CONFLICT OF INTEREST

The CONSULTANT covenants that no public or private interests exist and none shall be acquired directly or indirectly which would conflict in any manner with the performance of the CONSULTANT'S CONTRACT. The CONSULTANT further covenants that no employee of the CONSULTANT or of any subconsultant(s), regardless of his/her position, is to personally benefit directly or indirectly from the performance of the SERVICES or from any knowledge obtained during the CONSULTANT'S execution of this CONTRACT.

ARTICLE XXIII. AVAILABILITY OF FUNDS

It is expressly understood and agreed that the obligation of the LPA to proceed under this CONTRACT is conditioned upon the availability of funds, the appropriation of funds by the Mississippi Legislature, and the receipt of state and/or federal funds. If, at any time, the funds anticipated for the fulfillment of this CONTRACT are not forthcoming or are insufficient, either through the failure of the federal government to provide funds or of the State of Mississippi to appropriate funds or the discontinuance or material alteration of the program under which funds were provided, or if funds are not otherwise available to the LPA for the performance of this CONTRACT, the LPA shall have the right, upon written notice to the CONSULTANT, to immediately terminate or stop work on this CONTRACT without damage, penalty, cost, or expense to the LPA of any kind whatsoever. The effective date of termination shall be as specified in the notice of termination.

ARTICLE XXIV. STOP WORK ORDER

A. **Order to Stop Work.** The LPA may, by written order to the CONSULTANT at any time, and without notice to any surety, require the CONSULTANT to stop all or any part of the work called for by this CONTRACT. This order shall be for a specified period not exceeding twenty-four (24) months after the order is delivered to the CONSULTANT unless the parties agree to any further period. Any such order shall be identified specifically as a stop work order issued pursuant to this clause. Upon receipt of such an order, the CONSULTANT shall forthwith comply with its terms and take all steps to minimize the occurrence of costs allocable to the work covered by the order during the period of work stoppage. Before the stop work order expires, or within any further period to which the parties shall have agreed, the LPA shall either:

(1) cancel the stop work order; or

(2) terminate the work covered by such order according to and as provided in Article III of this CONTRACT.

Prior to the LPA'S taking official action to stop work under this CONTRACT, the Executive Director of MDOT and/or the LPA may notify the CONSULTANT, in writing, of MDOT and/or the LPA's intentions to ask the CONSULTANT to stop work under this CONTRACT. Upon notice from the Executive Director of MDOT and/or the LPA, the CONSULTANT shall suspend all activities under this CONTRACT, pending final action by the LPA.

B. **Cancellation or Expiration of the Order.** If a stop work order issued under this clause is canceled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONSULTANT shall have the right to resume work. If the LPA decides that it is justified, an appropriate adjustment may be made in the delivery schedule. If the stop work order results in an increase in the time required for or in the CONSULTANT'S cost properly allocable to

the performance of any part of this CONTRACT and the CONSULTANT asserts a claim for such an adjustment within 30 days after the end of the period of work stoppage, an equitable adjustment in this CONTRACT may be made by written modification of this CONTRACT as provided by the terms of this CONTRACT.

C. **Termination of Stopped Work.** If a stop work order is not canceled and the work covered by such order is terminated, the CONSULTANT may be paid for services rendered prior to the Termination. In addition to payment for services rendered prior to the date of termination, the LPA shall be liable only for the costs, fees, and expenses for demobilization and close out of this CONTRACT, based on actual time and expenses incurred by the CONSULTANT in the packaging and shipment of all documents covered by this CONTRACT to the LPA. In no event shall the LPA be liable for lost profits or other consequential damages.

ARTICLE XXV. KEY PERSONNEL & DESIGNATED AGENTS

CONSULTANT agrees that Key Personnel identified as assigned to this PROJECT shall not be changed or reassigned without prior approval of the LPA or, if prior approval is impossible, and then notice to the LPA and subsequent review by the LPA which may approve or disapprove the action. For purposes of implementing this section and all other sections of this CONTRACT with regard to notice, the following individuals are herewith designated as agents for the respective parties unless otherwise identified in the addenda hereto:

LPA:

For Contractual Matters:
Samantha Abell
City of Gautier
3330 US Highway 90
Gautier, MS 39553
Phone: 228-497-8000
Fax: 228-497-1012
sabell@gautier-ms.gov

For Technical Matters:
Chandra Nicholson
City of Gautier
3330 US Highway 90
Gautier, MS 39553
Phone: 228-497-8000
Fax: 228-497-1012
cnicholson@gautier-ms.gov

CONSULTANT:

For Contractual Matters:
Dennis Reeves, P.E.
Neel-Schaffer, Inc.
707 Watts Avenue, Suite C
Pascagoula, MS 39567
Phone: 228-696-2649
Fax: 228-696-2802
dennis.reeves@neel-schaffer.com

Licensure Number
from the Mississippi
Board of Licensure
for Professional
Engineers/Architects and Surveyors:

P.E. # 15942
Surveyor #_____

For Technical Matters:
Eric Page, P.E.
Neel-Schaffer, Inc.
707 Watts Avenue, Suite C
Pascagoula, MS 39567
Phone: 228-696-2649
Fax: 228-696-2802
eric.page@neel-schaffer.com

Licensure Number
from the Mississippi
Board of Licensure
for Professional
Engineers/Architect's and Surveyors:

P.E. # 15772
Surveyor #_____

ARTICLE XXVI. AUTHORIZATION

Both parties hereto represent that they have authority to enter into this CONTRACT and that the individuals executing this CONTRACT are authorized to execute it and bind their respective parties and certified copies of the applicable LPA Order and the Resolution of the Corporate Board of Directors of the CONSULTANT are attached hereto as "Exhibit 1" and incorporated herein by reference and made a part hereof as if fully copied herein in words and figures.

WITNESS this my signature in execution hereof, this the ____ day of _____ , 20___.

City of Gautier

_____

Samantha Abell, City Manager

WITNESS this my signature in execution hereof, this the 3rd day of June, 2014.

Neel-Schaffer, Inc.

BY: _____

Dennis Reeves, Project Manager

STATE OF MISSISSIPPI
ANDREW QUANDT
ID No
106601
NOTARY PUBLIC
Comm Expires
November 8, 2017
JACKSON COUNTY

ATTEST: _____
(for CONSULTANT)

Exhibits attached hereto and incorporated by reference into this contract include those identified on the attached page entitled "List of Exhibits".

LIST OF EXHIBITS

1. Evidence of Authority
2. Scope of Work
3. Fees and Expenses.
4. Sample Invoice
5. Notice to the CONSULTANT
6. CONSULTANT's Certification Regarding Debarment, Suspension and Other Responsibility Matters.
7. Certification of LPA
8. {*This Exhibit was intentionally left blank*}
9. Prime Consultant EEV Certification and Agreement

EXHIBIT 1

{{{{Attach a copy of authority to execute contracts on behalf of the LPA}}}}

Leave this page in as is and LPA resolution will be substituted for this page by the LPA.

CORPORATE RESOLUTION

I, J. Clark Robinson, hereby certify that I am the duly and qualified Corporate Secretary of Neel-Schaffer, Inc., a Mississippi Corporation; that the following is a true and correct copy of a resolution duly adopted by the Executive Committee of the Senior Management Team of said corporation at a Special Meeting of the Executive Committee convened and held in said accordance with the bylaws on the 22nd day of April 2014 and that said resolution is now in full force and effect:

RESOLVED, that Neel-Schaffer, Inc. is desirous of entering into an Engineering Services Contract to provide Construction Engineering and Inspection (CE&I) services for the City of Gautier, Mississippi for Gautier Streetscape Improvements, Project No. STP-0494-00(008)LPA/106378-701000.

WHEREAS, such agreements require the signature of a company officer empowered to bind the consultant to the provisions of the engineering services agreements.

WHEREAS, Dennis W. Reeves, PE, Assistant Engineering Manager of Neel-Schaffer is responsible for the preparation and management of engineering services agreements in South Mississippi.

NOW, THEREFORE, BE IT RESOLVED, that Dennis W. Reeves, PE, is hereby authorized and empowered to sign engineering agreements, work assignments, and change orders with the City of Gautier, Mississippi.

IN WITNESS WHEREOF, I have affixed my name as Secretary of said corporation this 22nd day of April 2014.

J. Clark Robinson
Secretary

(CORPORATE SEAL)

Witness

EXHIBIT 2

Scope of Work

INTRODUCTION

The CONSULTANT will be providing the Construction Engineering & Inspection (CE&I) services to administer this construction contract in accordance with the latest version of the Mississippi Department of transportation (MDOT) LPA Project Development Manual (PDM). The CONSULTANT is required to adhere to the MDOT standards for this project which include the Standard Specifications, Construction, MDOT Materials Division Inspection, Testing, and Certification Manual, MDOT Construction Manual, LPA PDM, and all other documents that are referred to in the Project Construction Contract. The CONSULTANT will be required to use the LPA version of Site Manager software. Should there be a conflict between the LPA PDM and this scope of work, the LPA PDM shall govern.

***ENGINEERING* ADMINISTRATION:**
The **engineering** administration of construction will be the responsibility of the LPA acting through the CONSULTANT, and will be subject to inspection and approval of the Chief Engineer of the MISSISSIPPI D.O.T., (hereinafter designated as the MDOT), and of the Federal Highway Administration (FHWA) or their representatives.

CONSTRUCTION *ENGINEERING* SERVICES:
Construction **engineering** services shall consist of all **engineering** work, respectively, involved from the contract stage, beginning the date of FHWA/MDOT concurrence in award of the construction contract, through the preparation and submission of the final estimate and supporting documents to the MDOT, and shall include the following:

A. All materials to be used in the construction of this project shall be tested and certified by the CONSULTANT as meeting the requirements of the approved plans and specifications in accordance with Federal Aid Policy Guide (FAPG) 23CFR637B, Construction Inspection and Approval.

B. The CONSULTANT shall promptly prepare, verify and recommend payment of all eligible Contractor's estimates: he shall maintain a project daily diary as the official project record for each project, showing the Contractor's daily operation; and the ***Engineer's*** daily activities by names, function performed and hours worked. He shall check and verify the quantities of all materials incorporated in the project; and shall make prompt preparation and submission of the final estimate and supporting documents to the LPA for approval and payment. He shall likewise make such records available at all reasonable times during the contract period. These records, documents, and data shall be available for inspection by the LPA, MDOT, and the Federal Highway Administration and any other authorized representative of the Federal Government, and copies thereof shall be furnished if requested.

C. **Subsurface Conditions and Utilities.** LPA recognizes that a comprehensive sampling and testing program implemented by trained and experienced personnel of CONSULTANT or CONSULTANT's subconsultants with appropriate equipment may fail to detect certain hidden conditions. LPA also recognizes that actual environmental,

geological and geotechnical conditions that CONSULTANT properly inferred to exist between sampling points may differ significantly from those that actually exist.

CONSULTANT will locate utilities which will affect the project from information provided by the LPA and utility companies and from CONSULTANT's surveys. In that these utility locations are based, at least in part, on information from others, CONSULTANT cannot and does not warrant their completeness and accuracy.

D. The duties, responsibilities, and limitations of authority of the resident Project **Engineer** are listed in this scope of work.

A LISTING OF THE DUTIES, RESPONSIBILITIES AND LIMITATIONS OF AUTHORITY OF THE RESIDENT PROJECT *ENGINEER*.

The CONSULTANT shall furnish a resident Project ***Engineer***, assistants and other field staff to inspect performance of the Work of the CONTRACTOR. Through more extensive on-site inspections of the Work in progress and field checks of materials and equipment by the resident Project ***Engineer*** and assistants, the CONSULTANT shall endeavor to provide further protection for the LPA against defects and deficiencies in the Work; but, the furnishing of such services will not make the CONSULTANT responsible for or guarantee the CONTRACTOR'S performance. The duties and responsibilities of the resident Project ***Engineer*** are limited to this agreement with the LPA and in the construction Contract Documents, and are further limited and described as follows:

I. General:

The resident Project ***Engineer's*** dealings in matters pertaining to the on-site work shall in general be with the CONTRACTOR, keeping the LPA advised as necessary. The resident Project ***Engineer*** dealings with subcontractors shall only be through or with the full knowledge and approval of the CONTRACTOR. The resident Project ***Engineer*** shall generally communicate with the LPA.

II. Duties and Responsibilities of the resident Project ***Engineer***:

A. Schedules:
Review progress schedule of Shop Drawing submittals and schedule of values prepared by the CONTRACTOR and consult with the LPA concerning acceptability.

B. Conferences and Meetings:
Attend meetings with the CONTRACTOR, such as preconstruction conferences, progress meetings, job conferences and other project-related meetings, and prepare and circulate copies of minutes thereof.

C. Liaison:
a. Work principally through the CONTRACTOR'S superintendent and assist in understanding the intent of the Contract Documents; and serve as the LPA'S liaison with the CONTRACTOR when the CONTRACTOR's operations affect the LPA's on-site operations.

b. Assist in obtaining from the LPA additional details or information, when required for Proper execution of the Work.

D. Shop Drawings and Samples:

a. Record the date of receipt of Shop Drawings and samples.

b. Take samples and receive samples which are furnished at the site by the CONTRACTOR, and notify the LPA of availability of samples for examination.

c. Advise the LPA and the CONTRACTOR of the commencement of any Work requiring a Shop Drawing or sample if the submittal has not been approved by the CONSULTANT.

E. Review of Work, Rejection of Defective Work, Inspections and Tests:

a. Conduct on-site observations of the Work in progress to determine if the Work is in general proceeding in accordance with the Contract Documents.

b. Report to the LPA any Work that is believed to be unsatisfactory, faulty or defective or does not conform to the Contract Documents, or has been damaged, or does not meet the requirements of any inspection, test or approval required to be made; and advise the LPA of Work that should be corrected or rejected or should be uncovered for observation, or requires special testing, inspection or approval.

c. Verify that tests, equipment and systems startups and operating and maintenance training are conducted in the presence of appropriate personnel, and that the CONTRACTOR maintains adequate records thereof-, and observe, record and report to the LPA appropriate details relative to the test procedures and startups.

d. Accompany visiting inspectors representing the public or other agencies having jurisdiction over the Project, record the results of these inspections and report to the LPA.

F. Interpretation of Contract Documents:

Report to the LPA when clarifications and interpretation of the Contract Documents are needed and transmit to the CONTRACTOR clarifications and interpretations as issued by the LPA.

G. Modifications:

Consider and evaluate the CONTRACTOR'S suggestions for modifications in Drawings or Specifications and report to the LPA. Transmit to the CONTRACTOR decisions as issued by the LPA.

H. Records:

a. Maintain at the job site orderly files for correspondence, reports of job conferences, Shop Drawings and samples, reproductions of original Contract Documents including all Work Directive Changes, Addenda, Change Orders, Field Orders, additional Drawings issued subsequent to the execution of the Contract, clarification and interpretations of the Contract Documents, progress reports, and other Project related documents.

b. Keep a diary signed daily, recording the CONTRACTOR hours on the job site, weather conditions, data relative to questions of Work Directive Changes, Change Orders or changed conditions, list of job site visitors, daily activities of the prime contractors and all subcontractors, decisions, observations in general, and specific observations in more detail as in the case of observing test procedures; and send copies to the LPA.

c. Record names, addresses and telephone numbers of all CONTRACTORS, subcontractors and major suppliers of materials and equipment.

I. Reports:

a. Furnish the LPA periodic reports as required of progress of the Work and of the CONTRACTOR'S compliance with the progress schedule and schedule of Shop Drawing and sample submittals.

b. Consult with the LPA in advance of scheduled major tests, inspections or start of important phases of the Work.

c. Draft proposed Supplemental Agreements, Quantity Adjustments and Work Directive Changes, obtaining backup material from the CONTRACTOR; and recommend Supplemental Agreements, Quantity Adjustments, Work Directive Changes, and Field Orders to the LPA.

d. Report immediately to the LPA upon the occurrence of any accident.

J. Payment Requests:

a. Review applications for payment with the CONTRACTOR for compliance with the established procedure for their submission and forward to the LPA, noting particularly the relationship of the payment requested to the schedule of values and Work completed and materials and equipment delivered to the site but not incorporated in the Work.

K. Certificates, Maintenance and Operation Manuals:

During the course of the Work verify that certificates, maintenance and operations manuals and other data required to be assembled and furnished by the CONTRACTOR are applicable to the items actually installed and in accordance with the Contract Documents, and have this material delivered to the LPA prior to final payment for the Work.

L. Completion:

a. Before issuing a Certificate of Substantial Completion, submit a list of observed items requiring completion or correction to the Contractor.

b. Conduct a final inspection in the company of the LPA, the CONTRACTOR, the MDOT, & FHWA, and prepare a final list of items to be completed or corrected.

c. Observe that all items on the final list have been completed or corrected and make recommendations to the LPA concerning acceptance.

III. Limitations of Authority