

CITY OF GAUTIER, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2022

CITY OF GAUTIER, MISSISSIPPI
TABLE OF CONTENTS
For the Year Ended September 30, 2022

INTRODUCTORY SECTION

Elected Officials.....	ii
Organization Chart.....	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5

FINANCIAL STATEMENTS

Statement of Net Position.....	12
Statement of Activities.....	13
Balance Sheet - Governmental Funds.....	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position - Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	19
Statement of Cash Flows - Proprietary Funds.....	20
Notes to Financial Statements.....	22

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	50
Notes to the Required Supplementary Information- Budget Schedule.....	52
Schedule of City’s Proportionate Share of Net Pension Liability.....	53
Schedule of City’s Contributions.....	54
Notes to the Required Supplementary Information – Pension Schedules.....	55

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards.....	57
Notes to the Schedule of Expenditures of Federal Awards.....	58
Schedule of Surety Bonds.....	59

SPECIAL REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	62
Limited Internal Control and Compliance Review Management Report.....	65
Schedule of Findings and Questioned Costs.....	66

INTRODUCTORY SECTION

ELECTED OFFICIALS
As of September 30, 2022



Casey Vaughan
Mayor



Adam Colledge
Councilwoman At-Large



Cameron B. George
Councilman, Ward 1



Richard "DJ" Jackson
Councilman, Ward 2



Gordon Gollott
Councilman, Ward 3

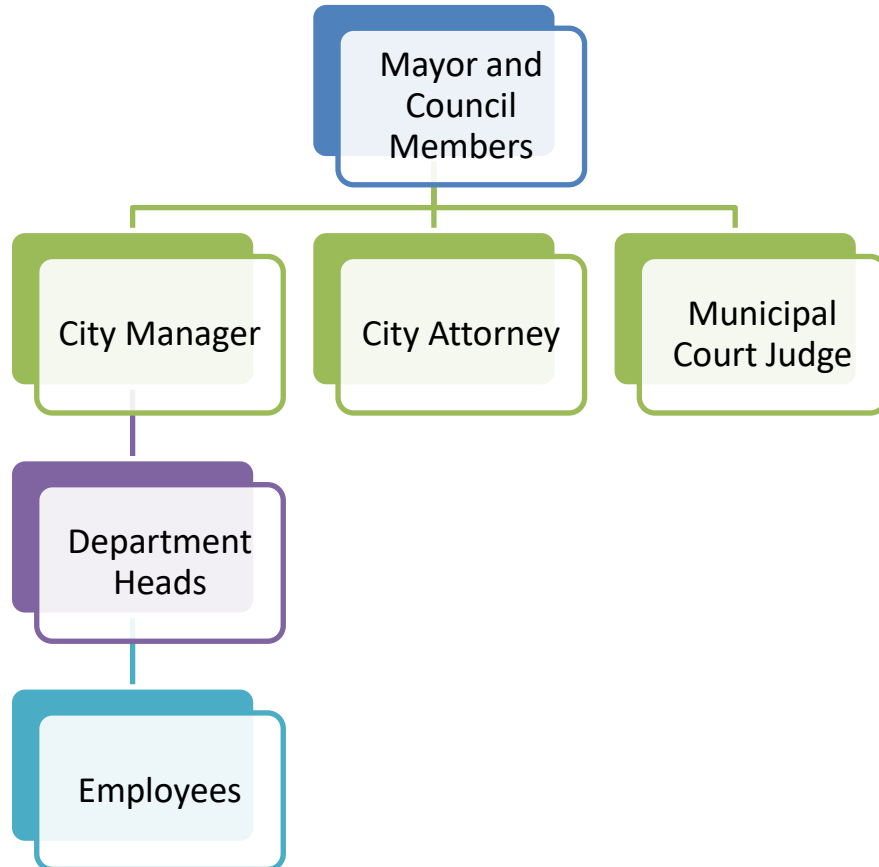


Charles "Rusty" Anderson
Councilman, Ward 4



Dante Elbin
Councilman, Ward 5

ORGANIZATION CHART
As of September 30, 2022



FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Gautier, Mississippi

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gautier, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1(T) and Note 10 to the financial statements, effective October 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11 budgetary comparison information on pages 50-52 and the schedule of changes in the City's net pension and related ratios schedule and notes to the pension schedules on pages 53-56 be presented to supplement the basic financial statements.

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

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises introductory and the Schedule of Surety Bonds for City Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

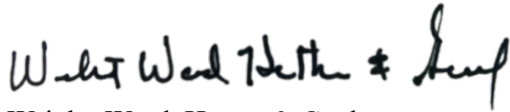
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023, on our consideration of the City of Gautier, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gautier, Mississippi's internal control over financial reporting and compliance.

Other Reporting Required by *State of Mississippi*

In accordance with the State of Mississippi, we have also issued our report dated September 5, 2023, on our consideration of the City of Gautier, Mississippi's compliance with state laws and regulations. The purpose of that report is to describe the scope of our testing of internal controls over compliance with state laws and regulations and the result of that testing, and not to provide an opinion on internal controls or compliance. That report is an integral part of an audit performed in accordance with state guidelines in considering the City of Gautier Mississippi's internal control over financial reporting and compliance.



Wright, Ward, Hatten & Guel
Gulfport, Mississippi
September 5, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Gautier, Mississippi's (the City) Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal year ended September 30, 2022 and 2021. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow.

City of Gautier is located on the Mississippi Gulf Coast. According to the United States Census Bureau, the estimated population of City of Gautier as of July 1, 2022, is 18,996. The median household income is \$51,382 with over 89% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position increased \$18,712,827 or 33% from 2021 which increased \$6,901,472. This increase is primarily due to an increase in federal grant revenues in 2022.
- General revenues amounted to \$12,270,047 or 29% of total revenues. This amount increased \$2,603,484 from 2021 primarily due to the City's election to treat American Rescue Act funds received as loss revenue under the standard released in 2022 rather than the original capital use only. Program revenues amounted to \$29,697,498 or 71% of total revenues, which increased \$12,119,775 from 2021. This increase was mostly due to federal revenues received for capital projects.
- Capital assets, net of accumulated depreciation, increased by \$10,169,737 in the governmental activities and increased \$930,136 in the business-type activities during 2022. The increase in governmental capital assets is primarily a result of additional grant driven capital projects. The increase in business-type activities is primarily a result of additional projects reduced by annual depreciation.
- Long-term debt decreased by \$726,266 in the governmental activities primarily due to principal payments and refunding of bonds. This amount also includes a \$12,622 decrease in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt decreased by \$1,250,375 in the business-type activities which include a reduction of \$199 in compensated absences. The City's total debt outstanding at September 30, 2022 is \$24,651,805 which includes the liability for compensated absences of \$439,354. The net pension liability as of September 30, 2022 was \$16,018,188.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$10,310,880 in revenues, which shows an increase of \$232,097 from 2021 and \$10,578,103 in expenditures, an increase of \$1,013,214 from 2021, in the current year. The General Fund's fund balance decreased \$56,563.

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Statement of Net Position and the Statement of Activities

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

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

Table 1 provides a summary of the City's net position for 2022 compared to 2021.

<p style="text-align: center;">TABLE 1 Condensed Statement of Net Position September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 16,495,515	12,773,253	5,114,798	4,692,871	21,610,313	17,466,124
Non-current assets	49,722,799	36,946,421	49,622,277	49,164,064	99,345,076	86,110,485
Total Assets	66,218,314	49,719,674	54,737,075	53,856,935	120,955,389	103,576,609
Deferred Outflows	2,575,822	1,227,606	181,323	78,358	2,757,145	1,305,964
Liabilities						
Current liabilities	1,963,844	2,566,317	1,917,936	1,571,888	3,881,780	4,138,205
Non-current liabilities	23,445,205	19,233,320	15,879,987	16,837,419	39,325,192	36,070,739
Total Liabilities	25,409,049	21,799,637	17,797,923	18,409,307	43,206,972	40,208,944
Deferred Inflows	5,279,750	7,807,651	3,082	356,075	5,282,832	8,163,726
Net Position						
Investment in capital assets, net of related debt	40,083,935	18,677,598	31,682,128	30,206,621	71,766,063	48,884,219
Restricted net assets	578,362	8,330,913	1,607,265	1,760,962	2,185,627	10,091,875
Unrestricted	(2,556,960)	(5,668,519)	3,828,000	3,202,328	1,271,040	(2,466,191)
Total Net Position	\$ 38,105,337	21,339,992	37,117,393	35,169,911	75,222,730	56,509,903

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Statement of Net Position and the Statement of Activities (Continued)

Governmental Activities

Total net position increased \$16,765,345 as a result primarily due to an increase in grant revenues received for capital projects and land purchase.

Unrestricted cash increased significantly due to the City electing to recognize American Rescue Act funds as revenue loss under the standard issued in 2022 rather than the original restrictions placed on the funds for capital outlay only. In addition, current liabilities decreased \$602,473 primarily due to expenditure payments timing of 2022 expenditures versus 2021 expenditures.

Business-type activities

Net position for the business-type activities was \$37,117,393 a increase of \$1,947,482, primarily due to capital grant revenue increasing for on-going construction in progress funded by grants.

Table 2 provides a summary of the City's changes in net position for 2022 compared to 2021.

<p style="text-align: center;">TABLE 2 Condensed Statement of Activities September 30, 2022 and 2021</p>						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues	\$ 17,229,211	6,806,105	12,468,287	10,771,618	29,697,498	17,577,723
General revenues	11,831,042	9,327,581	439,005	338,982	12,270,047	9,666,563
Total revenues	<u>29,060,253</u>	<u>16,133,686</u>	<u>12,907,292</u>	<u>11,110,600</u>	<u>41,967,545</u>	<u>27,244,286</u>
Expenses:						
General government	3,230,675	2,416,294	-	-	3,230,675	2,416,294
Public safety	7,812,783	5,773,179	-	-	7,812,783	5,773,179
Public works	689,111	807,825	-	-	689,111	807,825
Culture and recreation	1,378,399	967,973	-	-	1,378,399	967,973
Interest on long-term debt	252,893	259,009	-	-	252,893	259,009
Water and sewer	-	-	8,490,386	8,677,899	8,490,386	8,677,899
Solid waste	-	-	1,400,471	1,440,635	1,400,471	1,440,635
Total expenses	<u>13,363,861</u>	<u>10,224,280</u>	<u>9,890,857</u>	<u>10,118,534</u>	<u>23,254,718</u>	<u>20,342,814</u>
Transfers	<u>1,068,953</u>	<u>1,691,242</u>	<u>(1,068,953)</u>	<u>(1,691,242)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	16,765,345	7,600,648	1,947,482	(699,176)	18,712,827	6,901,472
Net Position - beginning	21,339,992	13,739,344	35,169,911	35,869,087	56,509,903	49,608,431
Net Position - ending	<u>\$ 38,105,337</u>	<u>21,339,992</u>	<u>37,117,393</u>	<u>35,169,911</u>	<u>75,222,730</u>	<u>56,509,903</u>

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

Governmental Funds

The City's governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

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

Fiduciary Funds

Fiduciary Funds show amounts held by the City for the benefit of others and clearing accounts used by the city to track payroll expenditures and property tax receipts and disbursements. The City does not report any fiduciary funds.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and nonspendable resources. Such information may be useful in assessing the City's financing requirements. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

General Fund

The City's General Fund is the main operating fund and accounts for the sources and uses that make up the City's administrative, public safety, general public works and cultural and recreation services provided by the City to and for the general public. The unassigned fund balance of the general fund may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year.

Table 3 provides a condensed summary of the City's changes in general fund sources and uses in 2022 compared to 2021.

TABLE 3
Condensed Sources, Uses and Changes in Fund Balance - General Fund
For the year ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Sources:				
<i>Revenues:</i>				
Property taxes	5,627,783	5,372,798	254,985	5%
General Sales taxes	2,781,120	2,507,783	273,337	11%
Franchise fees	115,531	118,179	(2,648)	-2%
Licenses and permit fees	151,265	184,190	(32,925)	-18%
Intergovernmental	1,184,948	1,449,202	(264,254)	-18%
Charges for services	52,814	29,176	23,638	81%
Fines and forfeitures	344,887	346,265	(1,378)	0%
Investment earnings	19,229	13,118	6,111	47%
Miscellaneous	33,303	58,072	(24,769)	-43%
<i>Other Sources:</i>				
Proceeds from loans	39,347	-	39,347	100%
Insurance proceeds	65,384	35,280	30,104	85%
Transfers in	1,182,012	870,793	311,219	36%
Total sources	<u>11,597,623</u>	<u>10,984,856</u>	<u>612,767</u>	6%
Uses:				
<i>Expenditures:</i>				
Personnel services	8,005,277	7,288,461	716,816	10%
Supplies	527,132	372,448	154,684	42%
Contractual	1,686,616	1,743,065	(56,449)	-3%
Capital outlay	143,545	32,836	110,709	337%
Debt service	215,533	128,079	87,454	68%
<i>Other Uses:</i>				
Transfers out	1,076,083	876,279	199,804	23%
Total uses	<u>11,654,186</u>	<u>10,441,168</u>	<u>1,213,018</u>	12%
Change in Fund Balance	(56,563)	543,688	(600,251)	-110%
Beginning Fund Balance	<u>5,230,193</u>	<u>4,686,505</u>		
Ending Fund Balance	<u><u>5,173,630</u></u>	<u><u>5,230,193</u></u>		

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

BUDGET HIGHLIGHTS

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

During the course of 2022, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Board of Alderman for approval. State law does not allow budget changes that modify functional levels of budget amounts within a department without board approval. With the General Fund supporting many of our major activities, such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

CAPITAL ASSETS

Table 4 shows the Changes in Capital Assets for the years ended September 30, 2022 and 2021.

TABLE 4
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 11,742,761	6,228,137	1,215,870	1,215,870	12,958,631	7,444,007
Construction in progress	6,894,737	3,327,949	3,125,436	3,086,297	10,020,173	6,414,246
Buildings & improvements	2,336,017	2,398,963	-	-	2,336,017	2,398,963
Infrastructure	13,770,125	13,048,241	35,249,829	34,221,498	49,019,954	47,269,739
Machinery & equipment	1,276,185	471,909	251,082	313,175	1,527,267	785,084
Equipment under capital leases	257,710	632,599	2,622,629	2,697,870	2,880,339	3,330,469
Total	<u>\$ 36,277,535</u>	<u>26,107,798</u>	<u>42,464,846</u>	<u>41,534,710</u>	<u>78,742,381</u>	<u>67,642,508</u>

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

GENERAL LONG-TERM DEBT

At September 30, 2022, the City had \$24,651,805 outstanding debt obligations, which included \$439,354 of compensated absences payable.

TABLE 5
Schedule of Long-term Debt
September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 3,379,000	3,804,000	-	-	3,379,000	3,804,000
Special Limited Obligation Bonds	4,095,000	4,245,000	-	-	4,095,000	4,245,000
Revenue Refunding Bonds	-	-	11,490,000	11,895,000	11,490,000	11,895,000
Special Obligation Bonds	-	-	155,000	310,000	155,000	310,000
Capital Improvement Loans	1,033,532	1,086,902	-	-	1,033,532	1,086,902
Revolving Loans	-	-	2,147,010	2,610,655	2,147,010	2,610,655
Capital Leases	184,228	266,262	1,668,611	1,895,142	1,852,839	2,161,404
Add: Bond Premium*	60,070	63,310	-	-	60,070	63,310
Compensated Absences	418,912	431,534	20,442	20,641	439,354	452,175
Total	<u>\$ 9,170,742</u>	<u>9,897,008</u>	<u>15,481,063</u>	<u>16,731,438</u>	<u>24,651,805</u>	<u>26,628,446</u>

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2022

GENERAL LONG-TERM DEBT (Continued)

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

ECONOMIC CONDITIONS AND OUTLOOK

The City continues its project to acquire the Singing River Mall property and convert the property in usable space for all citizens. Town Commons Park is under construction that will include a park with an amphitheater in addition to multiple infrastructure improvements in planning and underway for the next few fiscal years. Many of these improvements are being funded through federal and state grants received.

Personnel costs continue to rise due to cost of living increases and the City trying to be more competitive in order to keep and attain talented and qualified employees. Although there is slow growth in property tax revenues the City has able room for expansion of new residential and businesses and predicts an uptake in growth in the next few years. Sales tax revenues rose 11% this year and further increases are expected.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

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

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

FINANCIAL STATEMENTS

City of Gautier, Mississippi

Statement of Net Position

September 30, 2022

	Governmental	Business-Type	Total
ASSETS			
Current Assets			
Cash	\$ 9,658,002	3,118,385	12,776,387
Receivables	6,712,105	1,908,559	8,620,664
Prepaid	125,408	87,854	213,262
Total Current Assets	16,495,515	5,114,798	21,610,313
Noncurrent Assets			
Restricted and noncurrent cash	13,445,264	7,157,431	20,602,695
Capital assets			
Land and construction in progress	18,637,498	4,341,306	22,978,804
Other capital assets (net of accumulated depreciation)	17,640,037	38,123,540	55,763,577
Total Noncurrent Assets	49,722,799	49,622,277	99,345,076
Total Assets	66,218,314	54,737,075	120,955,389
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	2,575,822	181,323	2,757,145
Total Deferred Outflow of Resources	2,575,822	181,323	2,757,145
LIABILITIES			
Current Liabilities:			
Claims and wages payable	1,122,164	282,814	1,404,978
Accrued interest payable	32,023	147,870	179,893
Retainage payable	27,023	37,228	64,251
Capital debt			
Bonds payable	594,000	741,000	1,335,000
Notes payable	63,411	474,614	538,025
Capital leases payable	86,202	230,283	316,485
Non-capital debt			
Compensated absences payable	39,021	4,127	43,148
Total Current Liabilities	1,963,844	1,917,936	3,881,780
Noncurrent Liabilities:			
Capital debt:			
Bonds payable	6,940,070	10,904,000	17,844,070
Notes payable	970,121	1,672,396	2,642,517
Capital leases payable	98,026	1,438,328	1,536,354
Non-capital debt			
Compensated absences payable	379,891	16,315	396,206
Customer deposits	-	887,857	887,857
Net pension liability	15,057,097	961,091	16,018,188
Total Noncurrent Liabilities	23,445,205	15,879,987	39,325,192
Total Liabilities	25,409,049	17,797,923	43,206,972
DEFERRED INFLOW OF RESOURCES			
Property tax for future reporting period	5,231,468	-	5,231,468
Deferred amount on pension	48,282	3,082	51,364
Total Deferred Inflows of Resources	5,279,750	3,082	5,282,832
NET POSITION			
Net investment in capital assets	40,083,935	31,682,128	71,766,063
Restricted Net Position:			
Restricted for debt service	36,683	1,607,265	1,643,948
Restricted for unemployment compensation	4,851	-	4,851
Restricted for grant purposes	536,828	-	536,828
Unrestricted	(2,556,960)	3,828,000	1,271,040
Total Net Position	\$ 38,105,337	37,117,393	75,222,730

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

City of Gautier, Mississippi
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:					\$		
General government	\$ 3,230,675	163,025	10,046	-	(3,057,604)		(3,057,604)
Public safety	7,812,783	359,048	44,791	330,552	(7,078,392)		(7,078,392)
Public works	689,111	-	-	14,297,678	13,608,567		13,608,567
Culture, recreation and community services	1,378,399	188,714	-	1,835,357	645,672		645,672
Interest on long-term debt	252,893	-	-	-	(252,893)		(252,893)
Total governmental activities	13,363,861	710,787	54,837	16,463,587	3,865,350		3,865,350
Business-type activities:							
Water and sewer	8,490,386	9,003,959	-	1,748,837		2,262,410	2,262,410
Solid waste	1,400,471	1,715,491	-	-		315,020	315,020
Total business-type activities	9,890,857	10,719,450	-	1,748,837		2,577,430	2,577,430
Total government	\$ 23,254,718	11,430,237	54,837	18,212,424		2,577,430	6,442,780
General Revenues:							
Taxes:							
Property taxes, general					4,235,950	-	4,235,950
Property taxes, debt service					1,019,692	-	1,019,692
Property taxes, community support					125,734	-	125,734
Property taxes, in lieu					372,141	-	372,141
General sales and use taxes					2,781,120	-	2,781,120
Road and bridge privilege taxes					536,135	-	536,135
Franchise taxes					115,531	-	115,531
Grants and contributions not restricted to a special purpose					2,466,703	-	2,466,703
Unrestricted investment earnings					33,292	20,642	53,934
Miscellaneous					144,744	418,363	563,107
Total general revenues					11,831,042	439,005	12,270,047
Transfers					1,068,953	(1,068,953)	-
Total general revenues and transfers					12,899,995	(629,948)	12,270,047
Changes in net position					16,765,345	1,947,482	18,712,827
Net position - beginning					21,339,992	35,169,911	56,509,903
Net position - ending					\$ 38,105,337	37,117,393	75,222,730

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

City of Gautier, Mississippi
Balance Sheet – Governmental Funds
September 30, 2022

	Major Funds				Total Governmental Funds
	General Fund	Town Commons Park Project Fund	Town Center Retail Dev Complex Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 5,352,391	8,013,279	-	9,063,884	22,429,554
Receivables:					
Property tax	5,109,806	-	-	125,123	5,234,929
Sales tax	198,391	-	-	-	198,391
Franchise taxes	133,334	-	-	-	133,334
Intergovernmental	70,391	-	-	203,805	274,196
Court fines & fees	748,360	-	-	-	748,360
Due from other funds	61	-	-	-	61
Total Assets	11,612,734	8,013,279	-	9,392,812	29,018,825
LIABILITIES					
Claims payable	202,563	-	-	108,075	310,638
Wages payable	378,375	-	-	45,569	423,944
Retainage payable	-	-	-	27,023	27,023
Due to other funds	-	-	-	61	61
Total Liabilities	580,938	-	-	180,728	761,666
DEFERRED INFLOWS OF RESOURCES					
Property taxes for future reporting period	5,109,806	-	-	121,662	5,231,468
Unavailable revenue - fines	748,360	-	-	-	748,360
Total Deferred Inflows of Resources	5,858,166	-	-	121,662	5,979,828
FUND BALANCES					
Restricted:					
Grant/bond purposes	-	8,013,279	-	4,484,439	12,497,718
Unemployment compensation	4,851	-	-	-	4,851
Debt service	-	-	-	36,683	36,683
Committed:					
Community support	-	-	-	72,972	72,972
Assigned:					
Emergency travel fund	1,144	-	-	-	1,144
Unassigned	5,167,635	-	-	4,496,328	9,663,963
Total Fund Balances	5,173,630	8,013,279	-	9,090,422	22,277,331
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,612,734	8,013,279	-	9,392,812	29,018,825

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

City of Gautier, Mississippi
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2022

Total governmental funds balance		\$ 22,277,331
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Governmental capital assets	\$ 42,791,782	
Less: accumulated depreciation	<u>(6,514,247)</u>	36,277,535
Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the governmental funds.		
Bonds payable (including premium)	\$ (7,534,070)	
Notes payable	(1,033,532)	
Capital leases payable	(184,228)	
Compensated absences	<u>(418,912)</u>	(9,170,742)
Other long term assets are not available to pay or current period expenditures and therefore are deferred in the funds.		
Court fines receivable	<u>\$ 748,360</u>	748,360
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(15,057,097)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 2,575,822	
Deferred inflows of resources related to pensions	<u>(48,282)</u>	2,527,540
Internal Service Funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Position as follows:		
Current assets	\$ 922,015	
Estimated claims payable	<u>(387,582)</u>	534,433
Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.		
		<u>(32,023)</u>
Net position of governmental activities		<u><u>\$ 38,105,337</u></u>

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

City of Gautier, Mississippi
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2022

	Major Funds				Total Governmental Funds
	General Fund	Town Commons Park Project Fund	Town Center Retail Dev Complex Fund	Other Governmental Funds	
Revenues					
Property taxes	\$ 5,627,783	-	-	125,734	5,753,517
General sales and use taxes	2,781,120	-	-	802,944	3,584,064
Franchise fees	115,531	-	-	-	115,531
Licenses and permit fees	151,265	-	-	-	151,265
Intergovernmental	1,184,948	8,285,488	3,500,000	5,697,644	18,668,080
Charges for services	52,814	-	-	150,061	202,875
Fines and forfeitures	344,887	-	-	-	344,887
Investment earnings	19,229	5,256	242	7,619	32,346
Miscellaneous	33,303	-	-	50,664	83,967
Total Revenues	<u>10,310,880</u>	<u>8,290,744</u>	<u>3,500,242</u>	<u>6,834,666</u>	<u>28,936,532</u>
Expenditures					
General government	2,911,452	-	6,000	78,609	2,996,061
Public safety	6,212,556	-	-	593,662	6,806,218
Public works	315,997	-	-	15,420	331,417
Culture & recreation	779,020	-	-	483,079	1,262,099
Capital outlay	143,545	1,705,906	5,514,624	3,492,264	10,856,339
Debt service:					
Principal	174,751	-	3,500,000	575,000	4,249,751
Interest and bond issue costs	40,782	-	2,393	216,551	259,726
Total Expenditures	<u>10,578,103</u>	<u>1,705,906</u>	<u>9,023,017</u>	<u>5,454,585</u>	<u>26,761,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(267,223)</u>	<u>6,584,838</u>	<u>(5,522,775)</u>	<u>1,380,081</u>	<u>2,174,921</u>
Other Financing Sources (Uses)					
Proceeds from loans	39,347	-	3,500,000	-	3,539,347
Insurance proceeds	65,384	-	-	-	65,384
Transfers in	1,182,012	-	21,333	1,043,703	2,247,048
Transfers out	<u>(1,076,083)</u>	<u>-</u>	<u>-</u>	<u>(102,012)</u>	<u>(1,178,095)</u>
Total Other Financing Sources (Uses)	<u>210,660</u>	<u>-</u>	<u>3,521,333</u>	<u>941,691</u>	<u>4,673,684</u>
Net changes in fund balances	(56,563)	6,584,838	(2,001,442)	2,321,772	6,848,605
Fund balances - beginning	<u>5,230,193</u>	<u>1,428,441</u>	<u>2,001,442</u>	<u>6,768,650</u>	<u>15,428,726</u>
Fund balances - ending	\$ <u><u>5,173,630</u></u>	<u><u>8,013,279</u></u>	<u><u>-</u></u>	<u><u>9,090,422</u></u>	<u><u>22,277,331</u></u>

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

City of Gautier, Mississippi
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended September 30, 2022

Net Change in Fund Balances - total governmental funds **\$ 6,848,605**

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

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

Capital outlay	\$ 10,856,339	
Depreciation	<u>(732,300)</u>	10,124,039

In the Statement of Activities, only gains and losses from the sale/disposal of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$45,698.

45,698

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

Proceeds from loan		(3,500,000)
Proceeds from capital leases		(39,347)
Debt retirement		4,249,751

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

11,695

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

Changes to proportionate share of pension expense		(687,234)
---	--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Accrued interest payable		3,593
Amortization of bond premium		3,240
Compensated absences		12,620

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

(307,315)

Change in net position of governmental activities **\$ 16,765,345**

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

City of Gautier, Mississippi

Statement of Net Position

Proprietary Funds

September 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total	Self Insurance Fund
ASSETS				
Current Assets				
Cash	\$ 3,021,545	96,840	3,118,385	673,712
Receivables:				
Customer accounts, net	1,369,704	219,082	1,588,786	-
Other receivables	319,773	-	319,773	122,895
Due from other funds	-	149,324	149,324	-
Prepaid interest and insurance	87,854	-	87,854	125,408
Total Current Assets	4,798,876	465,246	5,264,122	922,015
Noncurrent Assets				
Restricted and noncurrent cash	7,157,431	-	7,157,431	-
Capital assets				
Land and construction in progress	4,341,306	-	4,341,306	-
Other capital assets, net	38,119,846	3,694	38,123,540	-
Total Noncurrent Assets	49,618,583	3,694	49,622,277	-
Total Assets	54,417,459	468,940	54,886,399	922,015
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	181,323	-	181,323	-
Total Deferred Inflows of Resources	181,323	-	181,323	-
LIABILITIES				
Current Liabilities				
Claims and wages payable	175,119	107,695	282,814	387,582
Retainage payable	37,228	-	37,228	-
Accrued interest	147,870	-	147,870	-
Due to other funds	149,324	-	149,324	-
Capital debt:				
Bonds payable	741,000	-	741,000	-
Notes payable	474,614	-	474,614	-
Capital leases payable	230,283	-	230,283	-
Non-capital debt:				
Compensated absences payable	4,127	-	4,127	-
Total Current Liabilities	1,959,565	107,695	2,067,260	387,582
Noncurrent Liabilities				
Capital debt:				
Bonds payable	10,904,000	-	10,904,000	-
Notes payable	1,672,396	-	1,672,396	-
Capital leases payable	1,438,328	-	1,438,328	-
Non-capital debt:				
Compensated absences payable	16,315	-	16,315	-
Customer deposits	887,857	-	887,857	-
Net pension liability	961,091	-	961,091	-
Total Noncurrent Liabilities	15,879,987	-	15,879,987	-
Total Liabilities	17,839,552	107,695	17,947,247	387,582
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	3,082	-	3,082	-
Total Deferred Inflows of Resources	3,082	-	3,082	-
NET POSITION				
Net investment in capital assets	31,678,434	3,694	31,682,128	-
Restricted Net Position:				
Restricted for debt service	1,607,265	-	1,607,265	-
Unrestricted	3,470,449	357,551	3,828,000	534,433
Total Net Position	\$ 36,756,148	361,245	37,117,393	534,433

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

City of Gautier, Mississippi
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Operating revenues				
Charges for services	\$ 9,003,959	1,715,491	10,719,450	-
Employee contributions	-	-	-	1,440,279
Insurance claim reimbursements	-	-	-	253,721
Miscellaneous operating revenues	418,363	-	418,363	-
Total operating revenues	9,422,322	1,715,491	11,137,813	1,694,000
Operating Expenses:				
Personnel services	601,235	-	601,235	-
Wastewater treatment	2,763,528	-	2,763,528	-
Privatization costs	2,108,266	-	2,108,266	-
Waste collection and disposal	-	1,400,471	1,400,471	-
Supplies	276,077	-	276,077	-
Maintenance and repairs	221,496	-	221,496	-
Other contractual services and charges	665,099	-	665,099	540,993
Claims and estimate changes	-	-	-	1,461,268
Depreciation	1,280,324	-	1,280,324	-
Total operating expenses	7,916,025	1,400,471	9,316,496	2,002,261
Operating income (loss)	1,506,297	315,020	1,821,317	(308,261)
Non-operating Revenues (Expenses)				
Interest and investment revenue	20,642	-	20,642	946
Interest expense and bond issue costs	(574,361)	-	(574,361)	-
Grant revenue	1,748,837	-	1,748,837	-
Transfers in	11,047	-	11,047	-
Transfers out	(780,000)	(300,000)	(1,080,000)	-
Total non-operating Revenues (Expenses)	426,165	(300,000)	126,165	946
Change in net position	1,932,462	15,020	1,947,482	(307,315)
Net position - beginning (restated)	34,823,686	346,225	35,169,911	841,748
Net position - ending	\$ 36,756,148	361,245	37,117,393	534,433

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

City of Gautier, Mississippi
Statement Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,837,514	1,616,655	10,454,169	-
Cash received for premiums	-	-	-	1,425,857
Other operating receipts	418,363	-	418,363	487,397
Cash paid to employees	(519,021)	-	(519,021)	-
Cash paid to suppliers	(276,077)	-	(276,077)	-
Cash paid to contractors	(5,827,030)	(1,292,776)	(7,119,806)	-
Cash paid for judgements and claims	-	-	-	(1,219,195)
Cash paid for administrative services	-	-	-	(576,644)
Net cash provided by (used in) operating activities	2,633,749	323,879	2,957,628	117,415
Cash Flows From Non-Capital Financing Activities				
Grant revenues	1,576,374	-	1,576,374	-
Advances from (to) other funds	(753,836)	(315,117)	(1,068,953)	-
Net cash flows provided by (used in) non-capital financing activities	822,538	(315,117)	507,421	-
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(2,210,460)	-	(2,210,460)	-
Repayment of debt	(1,250,176)	-	(1,250,176)	-
Interest and amortization on debt	(478,876)	-	(478,876)	-
Net cash provided by (used in) capital and related financing activities	(3,939,512)	-	(3,939,512)	-
Cash Flows From Investing Activities				
Interest received	20,642	-	20,642	946
Net cash flows provided by (used in) investing activities	20,642	-	20,642	946
Net increase (decrease) in cash	(462,583)	8,762	(453,821)	118,361
Cash - October 1	10,641,559	88,078	10,729,637	555,351
Cash - September 30	\$ 10,178,976	96,840	10,275,816	673,712

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

City of Gautier, Mississippi
Statement Cash Flows
Proprietary Funds (Continued)
September 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total Business-type Activities	Self Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used In) Operating Activities:				
Operating income (loss)	\$ 1,506,297	315,020	1,821,317	(308,261)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,280,324	-	1,280,324	-
(Increase) decrease in assets:				
Accounts receivable	(230,338)	(98,836)	(329,174)	233,676
Prepaid premiums	-	-	-	(14,422)
Customer deposits	63,893	-	63,893	-
Increase (decrease) in liabilities:				
Claims payable	(56,069)	107,695	51,626	206,422
Wages payable	(94)	-	(94)	-
Retainage payable	(12,572)	-	(12,572)	-
Compensated absences	(199)	-	(199)	-
Pension liabilities and deferrals	82,507	-	82,507	-
Net cash provided by (used in) operating activities	\$ 2,633,749	323,879	2,957,628	117,415

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

NOTES TO THE FINANCIAL STATEMENTS

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

Jackson County Utility Authority

This potential component unit was established by State Code and its governing board is appointed jointly by the area governments' governing bodies. This is an independent unit that selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities. The City has been determined to be a joint venture of the participating agencies. See Note 16 for details.

B. Basis of Presentation.

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

The City reports the following major Governmental Funds:

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

Town Commons Park Project Fund – This fund has been established to account for the development of the Town Commons Park with an amphitheater.

Town Center Retail Development Complex Fund – This fund has been established to account for the development of the Town Center Retail Complex.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUNDS

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

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

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

D. Account Classifications

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

E. Deposits and Investments

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

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

F. Receivables

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

G. Inter-Fund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances"

H. Prepaid Items

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

I. Restricted Assets

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

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

Governmental accounting and financial reporting standards allowed governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. However, as of September 30, 2022, the City has not systematically reported capital assets in accordance with generally accepted accounting principles.

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

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

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

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

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

K. Deferred Outflows/Inflows of Resources

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

L. Pensions

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

M. Long-term Liabilities

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

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

N. Compensated Absences

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

O. Fund Balance Policies

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

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

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

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

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

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

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

P. Net Position

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

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

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

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

Q. Intergovernmental Revenues in Governmental Funds

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

R. Property Tax Revenues

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

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

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

S. Use of Estimates

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

T. Reporting Changes and New Accounting Pronouncements for Future Implementation

In June 2017, the GASB issued Statement No. 87, *Leases*. was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Note 2 – Cash

A summary of cash (including restricted cash) at September 30, 2022 is as follows:

	Pooled Cash Deposits	Cash Deposits	Cash Held by Fiscal Agent	Cash on Hand	Total
Governmental Activities					
General Fund	\$ 5,036,863	\$ 313,978		\$ 1,550	\$ 5,352,391
Town Commons Park Project Fund	-	8,013,279		-	8,013,279
Other Nonmajor Governmental Funds	5,522,048	3,541,786		50	9,063,884
Total governmental funds	10,558,911	11,869,043	-	1,600	22,429,554
Self Insurance Fund	-	516,001	157,711	-	673,712
Total governmental activities	10,558,911	12,385,044	157,711	1,600	23,103,266
Business-type Activities					
Water and Sewer Funds	2,956,992	7,221,327	57	600	10,178,976
Solid Waste Fund		96,840		-	96,840
Total business-type activities	2,956,992	7,318,167	57	600	10,275,816
Total cash and cash equivalents	\$ 13,515,903	19,703,211	157,768	2,200	33,379,082

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

Under this program, the collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Municipalities select depositories on the basis of competitive bid as allowed by Mississippi statutes.

The carrying amount of cash was \$33,376,882 with city's total deposits with financial institutions at September 30, 2022. The bank balance was \$33,580,379.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 2 – Cash (continued)

GASB requires that assets not readily available for use and assets that have outside restrictions on their use be presented in the noncurrent assets section of the Statement of Net Position. The City had the following restrictions and noncurrent classifications of cash as of September 30, 2022:

Governmental Activities

Cash

Restricted for capital/bond purposes	\$ 12,685,578
Restricted for unemployment compensation	4,851
Restricted for debt service	36,683
Restricted by granting agencies	718,152
Total governmental activities	<u>13,445,264</u>

Business-type Activities

Cash

Noncurrent cash for customer deposits	922,890
Restricted for capital/bond purposes	4,627,277
Restricted for debt service	1,607,264
Total business-type activities	<u>7,157,431</u>

Total restricted and noncurrent cash - government-wide	<u>\$ 20,602,695</u>
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Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2022, consisted of the following:

Taxes receivable:	
Property taxes	
Current	\$ 3,461
For future reporting period	5,231,468
Total property taxes receivable	<u>5,234,929</u>
Intergovernmental receivable:	
Sales taxes	198,391
Franchise taxes	133,334
County road taxes	26,423
State grants	247,773
Total intergovernmental	<u>605,921</u>
Court fines receivable	14,967,208
Less: allowance for doubtful accounts	<u>(14,218,848)</u>
Total court fines receivable, net	<u>748,360</u>
Self Insurance Fund	
Insurance rebates receivable	122,895
Total receivable - governmental activities	<u>\$ 6,712,105</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 3 – Receivables (Continued)

B. Business-type Activities

Receivable in the business-type activities at September 30, 2022, consisted of the following:

Intergovernmental receivable:	
Federal and state grants	319,773
Total intergovernmental	<u>319,773</u>
Customer accounts receivable:	
Customer utility charges (billed)	3,032,897
Customer accounts, earned but unbilled	647,962
Less: allowance for doubtful accounts	<u>(2,092,073)</u>
Total customer accounts receivable, net	<u>1,588,786</u>
 Total receivable - business-type activities	 <u><u>\$ 1,908,559</u></u>

All trade receivables are shown net of an allowance for bad debt. An allowance in the amount of \$2,092,073 at September 30, 2022. \$1,948,710 has been provided in the Water and Sewer Enterprise Fund and \$143,363 has been provided in the Solid Waste Enterprise Fund.

Note 4 – Interfund Transactions and Balances

Government-wide Financial Statements

A. Internal Balances

At September 30, 2022, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	<u><u>\$ 1,068,593</u></u>

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

Fund Financial Statements

A. Due From/To Other Funds:

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 61
Solid Waste Fund	Water & Sewer Fund	149,324
		<u><u>\$ 149,385</u></u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 4 – Interfund Transactions and Balances (Continued)

B. Transfers In/Out:

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

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 102,012
General Fund	Water & Sewer Fund	780,000
General Fund	Solid Waste Fund	300,000
Town Center Complex Fund	General Fund	21,333
Other Governmental Funds	General Fund	1,043,703
Water & Sewer Fund	General Fund	11,047
		<u>\$ 2,258,095</u>

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2022:

	Balance 10/1/2021	Additions	Adjustments/ Sales	Balance 9/30/2022
Capital assets not being Depreciated:				
Land	\$ 6,228,137	5,514,624	-	11,742,761
Construction in Progress	3,327,949	4,664,255	(1,097,467)	6,894,737
Total capital assets not being depreciated	<u>9,556,086</u>	<u>10,178,879</u>	<u>(1,097,467)</u>	<u>18,637,498</u>
Capital assets being depreciated:				
Buildings & Improvements	3,147,307	-	-	3,147,307
Infrastructure	16,186,690	-	1,097,467	17,284,157
Machinery & Equipment	1,765,923	638,113	825,875	3,229,911
Equipment under Capital Leases	1,304,965	39,347	(851,403)	492,909
Total capital assets being depreciated	<u>22,404,885</u>	<u>677,460</u>	<u>1,071,939</u>	<u>24,154,284</u>
Less accumulated depreciation for:				
Buildings & improvements	748,344	62,946	-	811,290
Infrastructure	3,138,449	375,583	-	3,514,032
Machinery & Equipment	1,294,014	212,130	447,582	1,953,726
Equipment under Capital Leases	672,366	81,641	(518,808)	235,199
Total accumulated depreciation	<u>5,853,173</u>	<u>732,300</u>	<u>(71,226)</u>	<u>6,514,247</u>
Total Capital assets being depreciated, net	<u>16,551,712</u>	<u>(54,840)</u>	<u>1,143,165</u>	<u>17,640,037</u>
Total governmental activities capital assets, net	<u>\$ 26,107,798</u>	<u>10,124,039</u>	<u>45,698</u>	<u>36,277,535</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 5 – Capital assets (Continued)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 62,963
Public Safety	272,506
Public Works	284,841
Culture & Recreation	111,990
	<u>\$ 732,300</u>

B. Business-type Activities

The following is a summary of business-type capital assets activity for the year ended September 30, 2022:

	Balance 10/1/2021	Additions	Adjustments/ Sales	Balance 9/30/2022
Capital assets not being Depreciated:				
Land	\$ 1,215,870	-	-	1,215,870
Construction in Progress	3,086,297	2,210,460	(2,171,321)	3,125,436
Total capital assets not being depreciated	<u>4,302,167</u>	<u>2,210,460</u>	<u>(2,171,321)</u>	<u>4,341,306</u>
Capital assets being depreciated:				
Infrastructure	48,985,280	-	2,171,321	51,156,601
Machinery & Equipment	1,751,413	-	-	1,751,413
Equipment under Capital Leases	3,224,544	-	-	3,224,544
Total capital assets being depreciated	<u>53,961,237</u>	<u>-</u>	<u>2,171,321</u>	<u>56,132,558</u>
Less accumulated depreciation for:				
Infrastructure	14,763,782	1,142,990	-	15,906,772
Machinery & Equipment	1,438,238	62,093	-	1,500,331
Equipment under Capital Leases	526,674	75,241	-	601,915
Total accumulated depreciation	<u>16,728,694</u>	<u>1,280,324</u>	<u>-</u>	<u>18,009,018</u>
Total Capital assets being depreciated, net	<u>37,232,543</u>	<u>(1,280,324)</u>	<u>2,171,321</u>	<u>38,123,540</u>
Total business-type activities capital assets, net	<u>\$ 41,534,710</u>	<u>930,136</u>	<u>-</u>	<u>42,464,846</u>

Depreciation expense was charged to the following governmental functions:

Water and Sewer Fund	\$ 1,280,324
Solid Waste Fund	-
Total depreciation - business-type activities	<u>\$ 1,280,324</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 6 – Court Fines Receivable/Deferred Inflows of Resources

Court fines receivables are recorded as deferred inflow of sources in the fund financial statements due to the funds using modified accrual basis. However, revenues received during the year are recorded in the government-wide financial statements on the full-accrual basis of accounting. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The amount represented on the financial statements is conclusive of all bad debts owed by citizens to the municipal courts since the City started providing court services. Court fines receivable at September 30, 2022, were \$14,967,208, of which an allowance of \$14,218,848 has been determined as uncollectible with \$748,360 deemed collectible.

Note 7 – Claims and Judgments

Risk Financing

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

The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

The City has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2022, the amount of this liability was \$387,582.

	Amount
Liability at beginning of year	\$ 181,160
Claims and changes of estimates	2,207,369
Claims payments	<u>(2,000,946)</u>
Liability at end of year	<u><u>\$ 387,583</u></u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 8 – Retirement Plan

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

Plan Description and Provisions

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

Benefits Provided

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

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

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

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2022, was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 8 – Retirement Plan (continued)

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

At September 30, 2022, the City reported a liability of \$15,057,097 in the governmental activities and \$961,091 in the business-type activities for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was .078%. For the year ended September 30, 2022, the City recognized PERS pension expense for governmental activities of \$1,573,093 and for the business-type activities of \$139,051.

At September 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 213,198	13,608	226,806
Changes of assumptions	520,768	33,240	554,008
Net difference between projected and actual earnings on pension plan investments	790,872	50,481	841,353
Changes in proportion and differences between City contributions and proportionate share on contributions	817,861	52,204	870,065
City's contributions subsequent to the measurement date	233,123	31,790	264,913
Total deferred outflows related to pensions	<u>\$ 2,575,822</u>	<u>181,323</u>	<u>2,757,145</u>

At September 30, 2022, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Changes in proportion and differences between City contributions and proportionate share on contributions	\$ 48,282	3,082	51,364
Total	<u>\$ 48,282</u>	<u>\$ 3,082</u>	<u>\$ 51,364</u>

Within the deferred outflows, a net amount of \$264,913 of deferred outflows of resources is related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction to the net pension liability in the year ended September 30, 2022.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 8 – Retirement Plan (continued)

The remaining amounts reported as deferred outflows of resources related to pensions of \$2,492,232 and deferred inflows of resources related to pensions of \$51,364 netting to \$2,440,868 will be recognized in pension expense as follows:

Year Ending September 30,	
2023	\$ 792,347
2024	688,982
2025	90,347
2026	869,192
	<u>\$ 2,440,868</u>

Actuarial assumptions

The total pension liabilities in the June 30, 2022, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2021. The experience report is dated April 20, 2021.

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 8 – Retirement Plan (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.80
Fixed Income	18.00	(0.25)
Real Estate	10.00	3.75
Private Equity	10.00	6.00
Private Credit	2.00	4.00
Cash Equivalents	2.00	(0.10)
Total	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability for PERS was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.0%) and at the current contribution rate (17.4%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return investments was applied to all periods of projected benefit payments to determine each plan's total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.55 percent) or one percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1 % Increase (8.55%)
City's Proportionate share of PERS	\$ 20,905,371	\$ 16,018,188	\$ 11,988,954

Pension plan fiduciary net position

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

Three-year Trend Information

The City's contributions to PERS for the fiscal years ending September 30, 2022, 2021 and 2020 were \$1,018,283, \$823,651, and \$820,340, respectively, which equaled the required contributions for each year.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 9 – Long-term Debt

Debt outstanding at September 30, 2022 consists of the following:

Description and Purpose	Original Issue Amount	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:				
A. Bonds:				
General Obligation Refunding Bonds, Series 2020	\$ 4,224,000	\$ 3,379,000	1.75%	09/30/30
Special Limited Obligation Bonds, Series 2019	4,390,000	4,095,000	3-00-4.00%	03/01/41
Total Obligation Bonds		<u>7,474,000</u>		
B. Notes Payable				
Notes Payable-MDA Cap Improv Loan	763,087	551,708	2.00%	02/01/36
Notes Payable-SMPDD Cap Improv Loan	500,000	481,824	2.75%	04/01/36
Total Notes Payable		<u>1,033,532</u>		
C. Capital Leases:				
Hancock Bank				
secured by AS400 Network, \$10,498 annually	46,760	29,143	3.98%	06/04/25
Motorola				
secured by Motorola radios, \$37,895 annually	113,038	37,680	3.81%	12/01/22
South Mississippi Planning and Development				
secured by three Police Cars, \$27,360 annually	126,201	78,058	2.75%	10/01/25
Community Bank				
secured by Ford Expedition - HIDTA, \$14,024 annually	39,347	39,347	2.20%	08/01/25
Total Capital Leases		<u>184,228</u>		
Total governmental activities		<u>8,691,760</u>		
Business-type Activities:				
A. Bonds				
Special Obligation Bonds, Series 2013	3,500,000	155,000	2.00-5.00%	07/01/23
Revenue Refunding Bonds, Series 2018	4,000,000	3,430,000	4.00-4.375%	05/01/35
Revenue Refunding Bonds, Series 2019	6,000,000	5,580,000	2.50-3.50%	07/01/33
Revenue Refunding Bonds, Series 2020	2,579,000	2,480,000	1.75%	07/01/33
Total Bonds Payable		<u>11,645,000</u>		
B. Notes Payable				
Secured by sales tax revenue				
State Revolving Fund Loan, 2006, \$7,877 monthly	1,288,485	238,595	1.75%	04/01/25
State Revolving Fund Loan, 2006, \$10,949 monthly	1,865,320	425,116	1.75%	01/01/26
State Revolving Fund Loan, 2006, \$9,666 monthly	1,760,448	721,841	2.75%	06/01/29
Drinking Water System Impr. Revolving Loan, \$9,019 monthly	1,344,987	340,050	3.56%	01/01/26
Drinking Water System Impr. Revolving Loan, \$2,150 monthly	422,610	132,517	1.95%	02/01/28
Drinking Water System Impr. Revolving Loan, \$3,766 monthly	740,239	288,891	1.95%	05/01/29
Total Notes Payable		<u>2,147,010</u>		
C. Capital Leases:				
Bancorpsouth				
secured by water meters, \$287,450 annually	3,235,000	1,668,611	3.29%	04/04/29
Total business-type activities		<u>15,460,621</u>		
Total government		<u>\$ 24,152,381</u>		

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 9 – Long-term Debt (Continued)

A. Governmental Activities

Transactions for the year ended September 30, 2022 are summarized as follows:

	Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022	Due Within one Year
General Obligation Bonds	\$ 3,804,000	-	(425,000)	3,379,000	439,000
Special Obligation Bonds	4,245,000	-	(150,000)	4,095,000	155,000
Grant Anticipation Loan	-	3,500,000	(3,500,000)	-	-
Notes payable	1,086,902	-	(53,370)	1,033,532	63,411
Capital Leases	266,262	39,347	(121,381)	184,228	86,202
Compensated Absences	431,534	-	(12,622)	418,912	39,021
	<u>9,833,698</u>	<u>3,539,347</u>	<u>(4,262,373)</u>	<u>9,110,672</u>	<u>782,634</u>
Add:					
Bond Premium	63,310	-	(3,240)	60,070	-
	<u>\$ 9,897,008</u>	<u>\$ 3,539,347</u>	<u>\$ (4,265,613)</u>	<u>\$ 9,170,742</u>	<u>\$ 782,634</u>

Bonds Payable

General Obligation Bonds

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

September 30,	Principal	Interest	Total
2023	439,000	59,133	498,133
2024	419,000	51,450	470,450
2025	423,000	44,118	467,118
2026	421,000	36,715	457,715
2027	424,000	29,347	453,347
2028-2030	1,253,000	43,767	1,296,767
	<u>\$ 3,379,000</u>	<u>264,530</u>	<u>3,643,530</u>

Special Obligation Bonds

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

September 30,	Principal	Interest	Total
2023	155,000	139,907	294,907
2024	160,000	135,182	295,182
2025	165,000	129,482	294,482
2026	170,000	122,782	292,782
2027	180,000	115,780	295,780
2028-2032	1,000,000	471,712	1,471,712
2033-2037	1,170,000	295,147	1,465,147
2038-2041	1,095,000	78,137	1,173,137
	<u>\$ 4,095,000</u>	<u>1,488,129</u>	<u>5,583,129</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 9 – Long-term Debt (Continued)

A. Governmental Activities (Continued)

Grant Anticipation Loan

In November 2021, the City received a grant anticipation loan from Community Bank in the amount of \$3,500,000. This loan was secured by the City's Mississippi Development Authority's grant of \$3,500,000 consisting of Mississippi Gulf Coast Restoration Funds awarded. This loan was received for the purchase of the Singing River Mall property. The loan was repaid in full on December 6, 2021.

Notes Payable

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

September 30,	Principal	Interest	Total
2023	63,411	24,043	87,454
2024	64,892	22,564	87,456
2025	66,404	21,049	87,453
2026	67,955	19,499	87,454
2027	69,543	17,910	87,453
2028-2032	372,899	64,366	437,265
2033-2037	328,428	18,770	347,198
	<u>\$ 1,033,532</u>	<u>188,201</u>	<u>1,221,733</u>

B. Business-type Activities

Transactions for the year ended September 30, 2022 are summarized as follows:

	Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022	Due Within one Year
Revenue Refunding Bonds	\$ 11,895,000	-	(405,000)	11,490,000	586,000
Special Obligation Bonds	310,000		(155,000)	155,000	155,000
Notes Payable-Revolving Loans	2,610,655		(463,645)	2,147,010	474,614
Capital Leases	1,895,142		(226,531)	1,668,611	230,283
Compensated Absences	20,641	-	(199)	20,442	4,127
Total business-type activities	<u>\$ 16,731,438</u>	<u>-</u>	<u>(1,250,375)</u>	<u>15,481,063</u>	<u>1,450,024</u>

Revenue Refunding and Special Obligation Bonds Payable

Water & Sewer Revenue Bonds, Series 2020 – In 2021, the City issued \$2,579,000 in revenue refunding bonds. These bonds were issued to refund a portion of the Special Obligation Bonds, Series 2013. As part of these refunding, a portion of the interest payments for the Series 2013 Bonds was put into escrow. The amount remaining to be used for bond interest payments is \$87,854 and is presented on the Statement of Position as prepaid.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 9 – Long-term Debt (Continued)

B. Business-type Activities

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

September 30,	Principal	Interest	Total
2023	\$ 741,000	333,774	1,074,774
2024	609,000	310,294	919,294
2025	626,000	291,606	917,606
2026	642,000	272,601	914,601
2027	445,000	224,406	669,406
2028-2032	2,703,000	905,265	3,608,265
2033-2037	4,168,000	555,913	4,723,913
2038-2041	1,711,000	63,393	1,774,393
	\$ 11,645,000	2,957,252	14,602,252

Revolving Loans

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

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

September 30,	Principal	Interest	Total
2023	\$ 474,614	46,522	521,136
2024	485,864	35,261	521,125
2025	457,904	23,835	481,739
2026	252,321	14,529	266,850
2027	177,140	9,842	186,982
2028-2029	299,167	7,083	306,250
	\$ 2,147,010	137,072	2,284,082

C. Compensated Absences

Compensated absences will be paid from the funds from which the employees' salaries were paid.

D. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2022, the amount of outstanding debt was equal to 10.2% of the latest property assessments.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 10 – Lease Obligations

The Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases has been implemented for the year ended September 30, 2022. The cumulative effect of implementing the change in accounting principle had no effect on the City's net position.

The City has obtained lease financing for the purchase of mobile equipment and other machinery. Title to the assets is held in the name of the City and the various banks as lien holder. The City insures the assets and accounts for the leasing arrangements. Amortization of leased equipment under capital assets is included with depreciation expense.

The following is a schedule of the City's capital leases as of September 30, 2022:

Issuer	Leased Equipment	Matures	Original Issue	Stated Interest Rate	Minimum Lease Payments as of 09/30/2022
Governmental Activities					
Motorolla	Motorolla Radios	December 2022	113,038	3.84%	37,680
SMPPD	3 Police Cars	October 2025	126,201	2.75%	77,616
Hancock Bank	AS 400 Computer Equipment	June 2025	46,760	3.98%	29,585
Community Bank	2022 Ford Expedition - HIDTA	August 2025	39,347	2.20%	39,347
Total Governmental Activities					<u>184,228</u>
Business-type Activities					
Cadence Bank	Water Meters	April 2029	3,235,000	3.29%	1,668,611
Total Business-type Activities					<u>\$ 1,668,611</u>

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2022:

Classes of Property	Governmental Activities	Business-type Activities
Governmental activities:		
Police radios	\$ 163,038	-
Police vehicles	283,111	-
Computer equipment	46,760	-
Water meter project	-	3,224,544
Less: accumulated depreciation	(235,199)	(601,915)
Total equipment under capital leases	<u>\$ 257,710</u>	<u>2,622,629</u>

The following is a schedule by years of the total payments due as of September 30, 2022:

September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 86,202	3,475	89,677	230,283	57,166	287,449
2024	49,611	2,288	51,899	237,975	49,475	287,450
2025	48,415	1,164	49,579	245,924	41,526	287,450
2026	-	-	-	254,138	33,312	287,450
2027	-	-	-	262,626	24,824	287,450
2028-2029	-	-	-	437,665	23,039	460,704
	<u>\$ 184,228</u>	<u>6,927</u>	<u>191,155</u>	<u>1,668,611</u>	<u>229,342</u>	<u>1,897,953</u>

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 11 – Net Investment in Capital Assets

Governmental Activities:

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 18,637,498
Other capital assets	24,154,284
Less: accumulated depreciation	(6,514,247)

Less: outstanding balances of borrowings for capital asset acquisition:

Bonds related to capital improvements	(7,474,000)
Notes related to capital improvements	(1,033,532)
Capital leases	(183,786)

Less: material capital improvements accounts payable at year end

Add: outstanding restricted cash for capital improvements

Total Net Investment in Capital Assets - Governmental Activities \$ 40,083,935

Business-type Activities

Water and Sewer Fund

Net investment in capital assets:

Capital Assets

Nondepreciable capital assets	\$ 4,341,306
Other capital assets	56,095,606
Less: accumulated depreciation	(17,975,760)

Less: outstanding balances of borrowings for capital asset acquisition:

Revenue refunding bonds related to capital improvements	(11,490,000)
Special obligation bonds related to capital improvements	(155,000)
Revolving loans	(2,147,010)
Capital leases	(1,668,611)

Add: prepaid attributable to capital asset acquisition

Prepaid bond interest

Less: material capital improvements accounts payable at year end

Add: outstanding restricted cash for capital improvements

Net investment in capital assets - Water and Sewer Fund 31,678,434

Solid Waste Fund

Net investment in capital assets:

Other capital assets	36,952
Less: accumulated depreciation	(33,258)

Net investment in capital assets - Solid Waste Fund 3,694

Total Net Investment in Capital Assets - Business-type Activities \$ 31,682,128

Note 12 – Property and Sales Tax Revenue

A. Property Tax Revenues

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 12 – Property and Sales Tax Revenue (Continued)

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt but exclusive of school bond and interest for the year ended September 30, 2022 was 43.00 mills or \$43.00 per \$1,000 of assessed valuation.

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

B. General Sales Tax Revenues

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gautier) back to the City monthly. General sales tax revenue reported in the General Fund was \$2,781,120.

Note 13 – Tax Abatements

In May of 2017, the City Council passed a Memorandum of Intent for a tax abatement to a developer through the Southern Mississippi Planning & Development City (SMPDD) Commercial Redevelopment Program. This program is subject to the requirements of GASB Statement #77. The program was authorized by the City Council and is for a period of fifteen years. It provides the City remit 35% of the total verified sales tax increase to SMPDD, which in turn remits the proceeds to the developer. The payment to SMPDD for calendar year 2022 was \$23,116, for calendar year 2021 was \$16,201 and for calendar year 2020 was \$15,809.

Note 14 – Commitments and Contingencies

A. Risk Management

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

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

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 14 – Commitments and Contingencies (Continued)

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

B. Commitments

Contract for Operations of Water and Wastewater Systems – The City renewed a contract with Clearwater Solutions, LLC for operation and maintenance of the City's water and sewer systems and utility billing of water and sewer systems. The fee under the contract is \$175,689/month for the year ended September 30, 2022. Annually, the amount shall be adjusted by the consumer price index by the U.S. Department of Labor Statistics. During the fiscal year ended September 30, 2022 the City paid a total of \$2,108,266 to Clearwater Solutions, LLC under this contract.

Contract for Operations of Solid Waste Collections – The City renewed a contract with Delta Sanitation of MS, LLC for the operations of solid waste collections. The fee under the contract is approximately \$116,705/month for the year ended September 30, 2022. This amount includes commercial and residential garbage collection. During the fiscal year ended September 30, 2022 the City paid a total of \$1,400,471 to Delta Sanitation of MS, LLC under this contract.

Note 15 – Jointly Governed Organizations

On November 2, 1970, the City entered into an agreement with the Board of Trustees of the Jackson George Regional Library System, the City of Moss Point, City of Pascagoula, City of Ocean Springs, City of Lucedale, and the Board of Supervisors of Jackson County to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Jackson George Regional Library System. There are no specific monetary terms in the agreement and the City of Gautier has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City contributed \$125,282 to the Library for the year ended September 30, 2022.

Note 16 – Joint Ventures

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

The Authority provides for the operation and maintenance of the sewer treatment plants on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facilities. The costs associated with this contract totaled \$2,763,528 for the year.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 16 – Joint Ventures (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2022:

CONDENSED STATEMENT OF NET POSITION

<u>ASSETS</u>	
Current assets	\$ 4,456,311
Restricted assets	6,402,162
Capital assets, net	159,475,250
Total assets	<u>170,333,723</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2,481,831</u>
<u>LIABILITIES</u>	
Current liabilities	6,199,285
Long-term liabilities	74,980,441
Total liabilities	<u>81,179,726</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>
<u>NET POSITION</u>	<u>\$ 91,635,828</u>

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

Operating revenue	\$ 19,814,417
Operating expenses	(23,674,527)
Nonoperating revenues	145,662
Nonoperating expenditures	(1,651,343)
Change in net position	<u>\$ (5,365,791)</u>

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

A complete copy of the 2022 financial statements is on file at the administrative offices of the Authority which are located at 11100 Highway 57, Vancleave, Mississippi 39565, or may be obtained by calling (228) 762-0119.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2022

Note 17– Subsequent Events

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

Management of the City evaluated the activity of the City through September 5, 2023, (the date the financial statements were available to be issued) that there are no subsequent events that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Gautier, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	5,621,835	5,621,835	5,650,646	-	28,811
General sales and use tax	2,475,000	2,625,000	2,808,170	150,000	183,170
Fines and forfeitures	400,000	400,000	309,461	-	(90,539)
Licenses and permits	109,000	109,000	124,132	-	15,132
Intergovernmental	1,527,732	1,449,632	1,201,748	(78,100)	(247,884)
Franchise fees	132,000	118,000	118,924	(14,000)	924
Investment earnings	10,000	10,000	18,327	-	8,327
Miscellaneous	132,600	180,900	251,911	48,300	71,011
Total Revenues	10,408,167	10,514,367	10,483,319	106,200	(31,048)
Expenditures:					
General government:					
Personnel services	1,731,583	1,713,233	1,706,247	18,350	6,986
Supplies	76,800	84,060	49,885	(7,260)	34,175
Other services and charges	1,356,380	1,358,323	1,132,843	(1,943)	225,480
Capital outlay	5,200	20,357	18,145	(15,157)	2,212
Total general government	3,169,963	3,175,973	2,907,120	(6,010)	268,853
Public safety:					
Personnel services	5,861,009	5,858,559	5,591,780	2,450	266,779
Supplies	339,912	381,912	412,918	(42,000)	(31,006)
Other services and charges	365,950	387,100	136,515	(21,150)	250,585
Capital outlay	161,000	166,067	154,909	(5,067)	11,158
Total public safety	6,727,871	6,793,638	6,296,122	(65,767)	497,516
Public works:					
Personnel services	278,374	229,374	220,337	49,000	9,037
Supplies	126,000	131,000	48,309	(5,000)	82,691
Other services and charges	269,200	271,200	211,613	(2,000)	59,587
Capital outlay	85,500	100,500	47,101	(15,000)	53,399
Total public works	759,074	732,074	527,360	27,000	204,714
Culture and recreation					
Personnel services	587,947	512,947	500,266	75,000	12,681
Supplies	119,000	149,500	117,303	(30,500)	32,197
Other services and charges	99,250	113,700	97,013	(14,450)	16,687
Capital outlay	34,746	73,969	65,606	(39,223)	8,363
Total culture and recreation	840,943	850,116	780,188	(9,173)	69,928
Debt service	215,537	215,537	215,533	-	4
Total Expenditures	11,713,388	11,767,338	10,726,323	(53,950)	1,041,015
Excess (Deficiency) of Revenues					
Over Expenditures	(1,305,221)	(1,252,971)	(243,004)	52,250	1,009,967

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

City of Gautier, Mississippi
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Budget to Actual - (Prepared on the Budgetary Basis)
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variances	
				Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Other Financing Sources (Uses):					
Proceeds from leases	40,000	40,000	39,347	-	653
Transfers In	1,182,012	1,182,012	1,182,013	-	(1)
Transfers Out	<u>(809,552)</u>	<u>(1,009,135)</u>	<u>(1,008,855)</u>	<u>(199,583)</u>	<u>280</u>
Total Other Financing Sources (Uses)	<u>412,460</u>	<u>212,877</u>	<u>212,505</u>	<u>(199,583)</u>	<u>932</u>
Net Change in Fund Balance - Budget	<u><u>(892,761)</u></u>	<u><u>(1,040,094)</u></u>	<u>(30,499)</u>	<u><u>(147,333)</u></u>	<u><u>1,010,899</u></u>
Net Change in fund balance - Budget-Cash Basis			\$ (30,499)		
Revenues and Sources per Cash-basis Budget		11,704,679			
Accrual adjustments		<u>(107,056)</u>	(107,056)		
Revenues and Sources per Fund Financial Statements		<u>11,597,623</u>			
Expenditures and Uses per Cash-basis Budget		11,735,178			
Accrual adjustments		<u>(80,992)</u>	80,992		
Expenditures and Uses per Fund Financial Statement		<u>11,654,186</u>			
Net Change in fund balance - Fund Financials			\$ <u><u>(56,563)</u></u>		

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

City of Gautier, Mississippi
Notes to the Required
Supplementary Information-Budgetary Schedules
For the Fiscal Year Ended September 30, 2022

A. Budgetary Information.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

D. Budgetary Data

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

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

City of Gautier, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2022
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.078%	0.071%	0.071%	0.072%	0.070%	0.070%	0.067%	0.067%
City's proportionate share of the net pension liability (asset)	\$ 16,018,188	10,565,649	13,751,937	12,666,221	11,643,082	11,636,376	11,967,873	10,356,879
City's covered payroll	\$ 5,357,397	4,695,299	4,730,149	5,048,760	4,516,635	4,502,222	4,269,283	4,199,035
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	298.99%	225.03%	290.73%	250.88%	257.78%	258.46%	280.33%	246.65%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

City of Gautier, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2022
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,018,283	823,651	820,340	756,838	722,163	713,359	681,575	658,899
Contributions in relation to the contractually required contribution	<u>1,018,283</u>	<u>823,651</u>	<u>820,340</u>	<u>756,838</u>	<u>722,163</u>	<u>713,359</u>	<u>681,575</u>	<u>658,899</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 5,852,201	4,733,626	4,714,598	4,683,397	4,585,162	4,529,263	4,327,460	4,183,486
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

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

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

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2022

Pension Schedules

A. Changes in assumptions

- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2021 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.
 - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
 - The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.
- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2022

B. Changes in benefit provisions

None in the past three years.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

City of Gautier, Mississippi
Schedule of the Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/ Passed-through Grantor/ Program Title or Cluster	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Interior				
Passed through MS Department of Marine Resources				
GOMESA Act	15.435	3000030940	193,705	-
Boater Access Grant	15.602	F21AF00274	4,800	-
Total U.S. Department of Interior			<u>198,505</u>	<u>-</u>
U.S. Department of Justice				
Passed through Mississippi Department of Public Safety				
HIDTA	16.592	G20GC003A	7,540	-
HIDTA	16.592	G21GC003A	8,069	-
FBI Safe Street	16.592	19GCP540Z	17,962	-
Equitable Sharing Program	16.922	MS0300600	6,019	-
Total U.S. Department of Justice			<u>39,590</u>	<u>-</u>
US Department of Transportation				
Passed through MS Dept of Transportation				
Martin Bluff Road Improvements	20.205	105069-801000	993,865	-
Martin Bluff Road Sidewalk Study	20.205	108009-701000	189,145	-
Total U.S. Department of Transportation			<u>1,183,010</u>	<u>-</u>
US Department of The Treasury				
Passed through MS Development Authority				
Restore Act	21.015	20-00013	1,348,204	-
Passed through MS Dept of Finance and Administration				
American Rescue Plan Act	21.027	SLRF2621	1,470,548	-
Total U.S. Department of The Treasury			<u>2,818,752</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through MS Emergency Management Agency				
Disaster Grants - Public Assistance - H. Zeta	97.036	FEMA-4576-DR	169,458	-
Disaster Grants - Public Assistance - H. Ida	97.036	FEMA-4626-DR	1,103	-
Disaster Grants - Public Assistance - COVID 19	97.036	FEMA-4528-DR	66,116	-
Total U.S. Department of Homeland Security			<u>236,677</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>4,476,534</u>	<u>-</u>

City of Gautier, Mississippi
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Note 1 – General

This schedule includes the federal award activity of the City of Gautier, Mississippi under programs of the federal government of the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of the City, it is not intended to and does not present the financial position, or changes in net assets of the City.

Note 2 – Basis of Accounting

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

Note 3 – Federal Loans

The City has the following federal loans outstanding as of September 30, 2022:

Program Title	CFDA Number	Current Year Expenditures	Unpaid Loan Balance	Original Loan Amount
Environmental Protection Agency Passed-through the Mississippi Department of Environmental Quality				
DWI-H280114-02	66.458	-	132,517	422,610
DWI-H280114-01-02	66.458	-	288,891	740,239
SRF-C280879-02-2	66.458	-	721,841	1,760,448
SRF-C280879-01-3	66.458	-	238,595	1,288,485
DWI-H280092-01-3	66.458	-	340,050	1,344,987
SRF-C280754-01-3	66.458	-	425,116	1,865,320
Total federal loans		\$ -	\$ 2,147,010	\$ 7,422,089

Note 4 – Indirect Cost Rate

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

Note 5 – Subrecipients.

No awards were passed through to subrecipients.

City of Gautier, Mississippi
Schedule of Surety Bonds
(Required by State of Mississippi)
For the Fiscal Year Ended September 30, 2022

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

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

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

Honorable Mayor and
City Council of
City of Gautier, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gautier, Mississippi (the "City") as and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 5, 2023.

Internal Control Over Financial Reporting

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

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

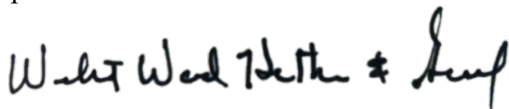
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Wright Ward Hatten & Guel". The signature is written in a cursive, flowing style.

Wright, Ward, Hatten and Guel
September 5, 2023

WRIGHT, WARD, HATTEN & GUEL

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

Honorable Mayor and
City Council of
City of Gautier, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gautier, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Gautier, Mississippi's major federal programs for the year ended September 30, 2022. City of Gautier, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Gautier, Mississippi 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Gautier, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Gautier, Mississippi's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Gautier, Mississippi's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Gautier, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*,

and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Gautier, Mississippi's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Gautier, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Gautier, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Gautier, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

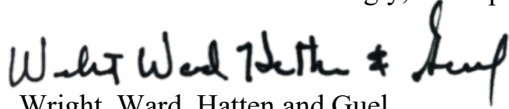
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Wright, Ward, Hatten and Guel
September 5, 2023

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

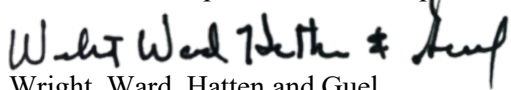
Honorable Mayor and
City Council of
City of Gautier, Mississippi

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

In addition, for areas not considered material to the City of Gautier, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 05, 2023, on the financial statements of the City of Gautier, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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



Wright, Ward, Hatten and Guel
September 5, 2023

City of Gautier, Mississippi
Schedule of Findings and Questioned Costs
September 30, 2022

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

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

Federal Awards:

- | | | | | | | | | | | |
|-----------------------|--|-----------------------|---|--|-----------------------------|--------|-------------|--------|--------------------------|--|
| 4. | Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | | | |
| 5. | Internal control over major programs: | | | | | | | | | |
| | a. Material weaknesses identified? | No | | | | | | | | |
| | b. Significant deficiencies identified? | None Reported | | | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None | | | | | | | | |
| 7. | Federal programs identified as major: | | | | | | | | | |
| | <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>CFDA Number(s)</u></td> <td style="text-align: center;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td></td> <td>U.S. Department of Treasury</td> </tr> <tr> <td style="text-align: center;">21.015</td> <td>Restore Act</td> </tr> <tr> <td style="text-align: center;">21.027</td> <td>American Rescue Plan Act</td> </tr> </table> | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | | U.S. Department of Treasury | 21.015 | Restore Act | 21.027 | American Rescue Plan Act | |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | |
| | U.S. Department of Treasury | | | | | | | | | |
| 21.015 | Restore Act | | | | | | | | | |
| 21.027 | American Rescue Plan Act | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? | No | | | | | | | | |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted during the fiscal year ended September 30, 2022.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings noted during the fiscal year ended September 30, 2022.