

CITY OF GAUTIER, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2023

CITY OF GAUTIER, MISSISSIPPI
TABLE OF CONTENTS
For the Year Ended September 30, 2023

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..... | 58 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 59 |
| Schedule of Surety Bonds..... | 60 |

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> | 61 |
|---|----|

| | |
|--|----|
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance..... | 63 |
|--|----|

| | |
|---|----|
| Limited Internal Control and Compliance Review Management Report..... | 66 |
|---|----|

| | |
|--|----|
| Schedule of Findings and Questioned Costs..... | 67 |
|--|----|

INTRODUCTORY SECTION



ELECTED OFFICIALS
As of September 30, 2023



Casey Vaughan
Mayor



Adam Colledge
Councilman 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, 2023



FINANCIAL SECTION

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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

CHARLENE KERKOW, CPA

HANCOCK BANK BUILDING
2510 - 14TH STREET
P.O. BOX 129
GULFPORT, MISSISSIPPI 39502

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

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

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, 2023, 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, 2023, 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.

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, budgetary comparison information, and the schedule of changes in the City's net pension and related ratios schedule and notes to the pension schedules 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.

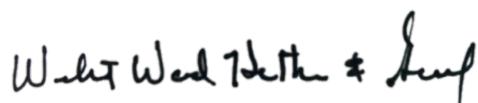
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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 November 5, 2024, 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 November 5, 2024, 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

November 5, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2023



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, 2023 and 2022. 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, 2023, is 19,024. The median household income is \$57,757 with over 88.1% of persons 25 years or older holding a high school degree or higher.

Government-wide Financial Highlights

- Total net position increased \$7,370,099 or 9% from 2022. This increase is primarily due to an increase in federal grant revenues in 2023.
- General revenues amounted to \$10,458,428 or 33% of total revenues. This amount decreased \$1,811,619 from 2022 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 \$21,923,425 or 67% of total revenues, which decreased \$7,774,073 from 2022. This decrease was mostly due to federal revenues received for capital projects.
- Capital assets, net of accumulated depreciation and amortization, increased by \$5,635,485 in the governmental activities and increased \$3,483,694 in the business-type activities during 2023. 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 \$477,302 in the governmental activities primarily due to principal payments and refunding of bonds. This amount also includes a \$51,345 increase in compensated absences which represents amounts that would be due to an employee from the City upon termination of employment. Long-term debt decreased by \$1,449,825 in the business-type activities which include a reduction of \$117 in compensated absences. The City's total debt outstanding at September 30, 2023 is \$22,724,678 which includes the liability for compensated absences of \$490,582. The net pension liability as of September 30, 2023 was \$19,765,417.

Fund Highlights

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$10,423,350 in revenues, which shows an increase of \$121,470 from 2022 and \$10,016,914 in expenditures, a decrease of \$561,189 from 2022, in the current year. The General Fund's fund balance increased \$1,075,811, primarily due to a transfer from business-type activities.

CITY OF GAUTIER, MISSISSIPPI
 Management's Discussion and Analysis
 For the Year Ended September 30, 2023

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 2023 compared to 2022.

TABLE 1
Condensed Statement of Net Position
September 30, 2023 and 2022

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets | | | | | | |
| Current assets | \$ 16,101,795 | 16,495,515 | 4,474,729 | 5,114,798 | 20,576,524 | 21,610,313 |
| Non-current assets | 56,686,510 | 49,722,799 | 51,820,262 | 49,622,277 | 108,506,772 | 99,345,076 |
| Total Assets | <u>72,788,305</u> | <u>66,218,314</u> | <u>56,294,991</u> | <u>54,737,075</u> | <u>129,083,296</u> | <u>120,955,389</u> |
| Deferred Outflows | <u>4,246,210</u> | <u>2,575,822</u> | <u>271,035</u> | <u>181,323</u> | <u>4,517,245</u> | <u>2,757,145</u> |
| Liabilities | | | | | | |
| Current liabilities | 2,259,827 | 1,963,844 | 1,864,561 | 1,917,936 | 4,124,388 | 3,881,780 |
| Non-current liabilities | 26,457,496 | 23,445,205 | 14,889,262 | 15,879,987 | 41,346,758 | 39,325,192 |
| Total Liabilities | <u>28,717,323</u> | <u>25,409,049</u> | <u>16,753,823</u> | <u>17,797,923</u> | <u>45,471,146</u> | <u>43,206,972</u> |
| Deferred Inflows | <u>5,499,797</u> | <u>5,279,750</u> | <u>1,769</u> | <u>3,082</u> | <u>5,501,566</u> | <u>5,282,832</u> |
| Net Position | | | | | | |
| Investment in capital assets, net of related debt | 47,101,939 | 40,083,935 | 35,004,588 | 31,682,128 | 82,106,527 | 71,766,063 |
| Restricted net assets | 676,227 | 578,362 | 1,473,872 | 1,607,265 | 2,150,099 | 2,185,627 |
| Unrestricted | (4,960,771) | (2,556,960) | 3,331,974 | 3,828,000 | (1,628,797) | 1,271,040 |
| Total Net Position | <u>\$ 42,817,395</u> | <u>38,105,337</u> | <u>39,810,434</u> | <u>37,117,393</u> | <u>82,627,829</u> | <u>75,222,730</u> |

CITY OF GAUTIER, MISSISSIPPI
 Management's Discussion and Analysis
 For the Year Ended September 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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

Governmental Activities

Total net position increased \$4,677,058 as a result primarily due to an increase in grant revenues received for capital projects and land purchase.

Unrestricted cash decreased 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.

Governmental net position for fiscal year ended September 30, 2022 was adjusted for \$35,000 in construction in progress that was expensed in error.

Business-type activities

Net position for the business-type activities was \$39,810,434 an increase of \$2,693,041, 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 2023 compared to 2022.

TABLE 2
Condensed Statement of Activities
September 30, 2023 and 2022

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|--------------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues | \$ 8,461,571 | 17,229,211 | 13,461,854 | 12,468,287 | 21,923,425 | 29,697,498 |
| General revenues | 10,008,687 | 11,831,042 | 449,741 | 439,005 | 10,458,428 | 12,270,047 |
| Total revenues | <u>18,470,258</u> | <u>29,060,253</u> | <u>13,911,595</u> | <u>12,907,292</u> | <u>32,381,853</u> | <u>41,967,545</u> |
| Expenses: | | | | | | |
| General government | 3,558,090 | 3,230,675 | - | - | 3,558,090 | 3,230,675 |
| Public safety | 8,612,247 | 7,812,783 | - | - | 8,612,247 | 7,812,783 |
| Public works | 1,069,766 | 689,111 | - | - | 1,069,766 | 689,111 |
| Culture and recreation | 1,394,861 | 1,378,399 | - | - | 1,394,861 | 1,378,399 |
| Interest on long-term debt | 238,236 | 252,893 | - | - | 238,236 | 252,893 |
| Water and sewer | - | - | 8,960,151 | 8,490,386 | 8,960,151 | 8,490,386 |
| Solid waste | - | - | 1,178,403 | 1,400,471 | 1,178,403 | 1,400,471 |
| Total expenses | <u>14,873,200</u> | <u>13,363,861</u> | <u>10,138,554</u> | <u>9,890,857</u> | <u>25,011,754</u> | <u>23,254,718</u> |
| Transfers | <u>1,080,000</u> | <u>1,068,953</u> | <u>(1,080,000)</u> | <u>(1,068,953)</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in net assets | <u>4,677,058</u> | <u>16,765,345</u> | <u>2,693,041</u> | <u>1,947,482</u> | <u>7,370,099</u> | <u>18,712,827</u> |
| Net Position - beginning, as restated | <u>38,140,337</u> | <u>21,339,992</u> | <u>37,117,393</u> | <u>35,169,911</u> | <u>75,257,730</u> | <u>56,509,903</u> |
| Net Position - ending | <u>\$ 42,817,395</u> | <u>38,105,337</u> | <u>39,810,434</u> | <u>37,117,393</u> | <u>82,627,829</u> | <u>75,222,730</u> |

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2023

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, 2023

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 2023 compared to 2022.

TABLE 3
Condensed Sources, Uses and Changes in Fund Balance - General Fund
For the year ended September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> | <u>Increase (Decrease)</u> | <u>Percent</u> |
|-------------------------------|-------------------|-------------------|--------------------------------|----------------|
| Sources: | | | | |
| <i>Revenues:</i> | | | | |
| Property taxes | 5,781,688 | 5,627,783 | 153,905 | 3% |
| General Sales taxes | 2,937,103 | 2,781,120 | 155,983 | 6% |
| Franchise fees | 104,103 | 115,531 | (11,428) | -10% |
| Licenses and permit fees | 154,868 | 151,265 | 3,603 | 2% |
| Intergovernmental | 995,857 | 1,184,948 | (189,091) | -16% |
| Charges for services | 51,214 | 52,814 | (1,600) | -3% |
| Fines and forfeitures | 329,234 | 344,887 | (15,653) | -5% |
| Investment earnings | 33,677 | 19,229 | 14,448 | 75% |
| Miscellaneous | 35,609 | 33,303 | 2,306 | 7% |
| <i>Other Sources:</i> | | | | |
| Proceeds from loans | 226,330 | 39,347 | 186,983 | 100% |
| Sale of capital assets | 88,943 | - | 88,943 | 100% |
| Insurance proceeds | 75,170 | 65,384 | 9,786 | 15% |
| Transfers in | 1,080,000 | 1,182,012 | (102,012) | -9% |
| Total sources | 11,893,796 | 11,597,623 | 296,173 | 3% |
| Uses: | | | | |
| <i>Expenditures:</i> | | | | |
| Personnel services | 7,021,460 | 8,005,277 | (983,817) | -12% |
| Supplies | 574,869 | 527,132 | 47,737 | 9% |
| Contractual | 2,031,712 | 1,686,616 | 345,096 | 20% |
| Capital outlay | 226,330 | 143,545 | 82,785 | 58% |
| Debt service | 162,546 | 215,533 | (52,987) | -25% |
| <i>Other Uses:</i> | | | | |
| Transfers out | 801,068 | 1,076,083 | (275,015) | -26% |
| Total uses | 10,817,985 | 11,654,186 | (836,201) | -7% |
| Change in Fund Balance | 1,075,811 | (56,563) | 1,132,374 | 2002% |
| Beginning Fund Balance | 5,173,630 | 5,230,193 | | |
| Ending Fund Balance | 6,249,441 | 5,173,630 | | |

CITY OF GAUTIER, MISSISSIPPI
 Management's Discussion and Analysis
 For the Year Ended September 30, 2023

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 2023, 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, 2023 and 2022.

TABLE 4
Schedule of Capital Assets (Net of Accumulated Depreciation)
September 30, 2023 and 2022

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 11,742,761 | 11,742,761 | 1,218,870 | 1,215,870 | 12,961,631 | 12,958,631 |
| Construction in progress | 9,566,430 | 6,894,737 | 4,873,113 | 3,125,436 | 14,439,543 | 10,020,173 |
| Buildings & improvements | 2,273,071 | 2,336,017 | - | - | 2,273,071 | 2,336,017 |
| Infrastructure | 16,890,249 | 13,770,125 | 39,685,718 | 37,872,458 | 56,575,967 | 51,642,583 |
| Machinery & equipment | 1,475,509 | 1,533,895 | 170,839 | 251,082 | 1,646,348 | 1,784,977 |
| Total | <u>\$ 41,948,020</u> | <u>36,277,535</u> | <u>45,948,540</u> | <u>42,464,846</u> | <u>87,896,560</u> | <u>78,742,381</u> |

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

GENERAL LONG-TERM DEBT

At September 30, 2023, the City had \$22,724,678 outstanding debt obligations, which included \$490,582 of compensated absences payable.

TABLE 5
Schedule of Long-term Debt
September 30, 2023 and 2022

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|--------------------------------|------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General Obligation Bonds | \$ 2,940,000 | 3,379,000 | - | - | 2,940,000 | 3,379,000 |
| Special Limited Obligation Bonds | 3,940,000 | 4,095,000 | - | - | 3,940,000 | 4,095,000 |
| Revenue Refunding Bonds | - | - | 10,904,000 | 11,490,000 | 10,904,000 | 11,490,000 |
| Special Obligation Bonds | - | - | - | 155,000 | - | 155,000 |
| Capital Improvement Loans | 960,565 | 1,033,532 | - | - | 960,565 | 1,033,532 |
| Revolving Loans | - | - | 1,672,399 | 2,147,010 | 1,672,399 | 2,147,010 |
| Capital Leases | 325,788 | 184,228 | 1,434,514 | 1,668,611 | 1,760,302 | 1,852,839 |
| Add: Bond Premium | 56,830 | 60,070 | - | - | 56,830 | 60,070 |
| Compensated Absences | 470,257 | 418,912 | 20,325 | 20,442 | 490,582 | 439,354 |
| Total | <u>\$ 8,693,440</u> | <u>9,170,742</u> | <u>14,031,238</u> | <u>15,481,063</u> | <u>22,724,678</u> | <u>24,651,805</u> |

CITY OF GAUTIER, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2023

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 has acquired the Singing River Mall property and is continuing to convert the property into usable space for economic development. Town Commons Park phase I, including an outdoor amphitheater space has been completed and the venue (The Sound) has hosted 10 concerts this past year and the Inclusion playground has been completed. In addition, multiple infrastructure improvements are 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 the cost of living increasing and the City trying to be more competitive to keep and attain talented and qualified employees. Although there is slow growth in property tax revenues the City has ample room for expansion of new residential and businesses and predicts an uptake in growth in the next few years. Sales tax revenues rose this year, and further increases are expected due to the economic impact of The Sound.

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, 2023

| | Governmental | Business-Type | Total |
|--|----------------------|-------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 8,622,528 | 2,730,011 | 11,352,539 |
| Receivables | 7,067,767 | 2,021,839 | 9,089,606 |
| Interfund balance | 277,121 | (277,121) | - |
| Prepaid | 134,379 | - | 134,379 |
| Total Current Assets | <u>16,101,795</u> | <u>4,474,729</u> | <u>20,576,524</u> |
| Noncurrent Assets | | | |
| Restricted and noncurrent cash | 14,738,490 | 5,871,722 | 20,610,212 |
| Capital assets | | | |
| Land and construction in progress | 21,309,191 | 6,091,983 | 27,401,174 |
| Other capital assets (net of accumulated depreciation) | 20,638,829 | 39,856,557 | 60,495,386 |
| Total Noncurrent Assets | <u>56,686,510</u> | <u>51,820,262</u> | <u>108,506,772</u> |
| Total Assets | <u>72,788,305</u> | <u>56,294,991</u> | <u>129,083,296</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred amounts related to pensions | 4,246,210 | 271,035 | 4,517,245 |
| Total Deferred Outflow of Resources | <u>4,246,210</u> | <u>271,035</u> | <u>4,517,245</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Claims and wages payable | 1,324,339 | 445,413 | 1,769,752 |
| Accrued interest payable | 31,687 | 113,940 | 145,627 |
| Retainage payable | 88,365 | 82,725 | 171,090 |
| Capital debt | | | |
| Bonds payable | 579,000 | 609,000 | 1,188,000 |
| Notes payable | 64,892 | 485,863 | 550,755 |
| Lease obligations | 120,143 | 119,965 | 240,108 |
| Non-capital debt | | | |
| Compensated absences payable | 51,401 | 7,655 | 59,056 |
| Total Current Liabilities | <u>2,259,827</u> | <u>1,864,561</u> | <u>4,124,388</u> |
| Noncurrent Liabilities: | | | |
| Capital debt: | | | |
| Bonds payable | 6,357,830 | 10,295,000 | 16,652,830 |
| Notes payable | 895,673 | 1,186,536 | 2,082,209 |
| Lease obligations | 205,645 | 1,314,549 | 1,520,194 |
| Non-capital debt | | | |
| Compensated absences payable | 418,856 | 12,670 | 431,526 |
| Customer deposits | - | 894,582 | 894,582 |
| Net pension liability | 18,579,492 | 1,185,925 | 19,765,417 |
| Total Noncurrent Liabilities | <u>26,457,496</u> | <u>14,889,262</u> | <u>41,346,758</u> |
| Total Liabilities | <u>28,717,323</u> | <u>16,753,823</u> | <u>45,471,146</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Property tax for future reporting period | 5,472,084 | - | 5,472,084 |
| Deferred amount on pension | 27,713 | 1,769 | 29,482 |
| Total Deferred Inflows of Resources | <u>5,499,797</u> | <u>1,769</u> | <u>5,501,566</u> |
| NET POSITION | | | |
| Net investment in capital assets | 47,101,939 | 35,004,588 | 82,106,527 |
| Restricted Net Position: | | | |
| Restricted for debt service | 21,034 | 1,473,872 | 1,494,906 |
| Restricted for unemployment compensation | 4,854 | - | 4,854 |
| Restricted for grant purposes | 650,339 | - | 650,339 |
| Unrestricted | <u>(4,960,771)</u> | <u>3,331,974</u> | <u>(1,628,797)</u> |
| Total Net Position | <u>\$ 42,817,395</u> | <u>39,810,434</u> | <u>82,627,829</u> |

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

City of Gautier, Mississippi
Statement of Activities
For the Year Ended September 30, 2023

| 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 | \$ 3,558,090 | 186,748 | 1,540 | - | (3,369,802) | | (3,369,802) |
| Public safety | 8,612,247 | 344,171 | 59,489 | 230,367 | (7,978,220) | | (7,978,220) |
| Public works | 1,069,766 | - | - | 7,171,506 | 6,101,740 | | 6,101,740 |
| Culture, recreation and community services | 1,394,861 | 213,863 | - | 253,887 | (927,111) | | (927,111) |
| Interest on long-term debt | 238,236 | - | - | - | (238,236) | | (238,236) |
| Total governmental activities | <u>14,873,200</u> | <u>744,782</u> | <u>61,029</u> | <u>7,655,760</u> | <u>(6,411,629)</u> | | <u>(6,411,629)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer | 8,960,151 | 8,518,436 | - | 3,348,430 | | 2,906,715 | 2,906,715 |
| Solid waste | 1,178,403 | 1,594,988 | - | - | | 416,585 | 416,585 |
| Total business-type activities | <u>10,138,554</u> | <u>10,113,424</u> | <u>-</u> | <u>3,348,430</u> | | <u>3,323,300</u> | <u>3,323,300</u> |
| Total government | <u>\$ 25,011,754</u> | <u>10,858,206</u> | <u>61,029</u> | <u>11,004,190</u> | | <u>3,323,300</u> | <u>(3,088,329)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, general | | | | 4,374,644 | - | 4,374,644 | |
| Property taxes, debt service | | | | 1,020,025 | - | 1,020,025 | |
| Property taxes, community support | | | | 125,774 | - | 125,774 | |
| Property taxes, in lieu | | | | 387,019 | - | 387,019 | |
| General sales and use taxes | | | | 2,937,103 | - | 2,937,103 | |
| Road and bridge privilege taxes | | | | 533,962 | - | 533,962 | |
| Franchise taxes | | | | 104,103 | - | 104,103 | |
| Grants and contributions not restricted to a special purpose | | | | 248,054 | - | 248,054 | |
| Unrestricted investment earnings | | | | 78,251 | 45,867 | 124,118 | |
| Miscellaneous | | | | <u>199,752</u> | <u>403,874</u> | <u>603,626</u> | |
| Total general revenues | | | | <u>10,008,687</u> | <u>449,741</u> | <u>10,458,428</u> | |
| Transfers | | | | <u>1,080,000</u> | <u>(1,080,000)</u> | <u>-</u> | |
| Total general revenues and transfers | | | | <u>11,088,687</u> | <u>(630,259)</u> | <u>10,458,428</u> | |
| Changes in net position | | | | 4,677,058 | 2,693,041 | 7,370,099 | |
| Net position - beginning, as restated | | | | <u>38,140,337</u> | <u>37,117,393</u> | <u>75,257,730</u> | |
| Net position - ending | | | | <u>\$ 42,817,395</u> | <u>39,810,434</u> | <u>82,627,829</u> | |

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

City of Gautier, Mississippi
 Balance Sheet – Governmental Funds
 September 30, 2023

| | Major Funds | | | | |
|--|----------------------|-------------------------|-------------------------------|--------------------------------|--------------------------------|
| | Town Commons | | Town Center | | Total Governmental Funds |
| | General Fund | Park Project Fund | Retail Dev Complex Fund | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash | \$ 6,006,397 | 5,772,673 | 4,475,714 | 6,444,691 | 22,699,475 |
| Receivables: | | | | | |
| Property tax | 5,299,414 | - | - | 249,551 | 5,548,965 |
| Sales tax | 381,052 | - | - | - | 381,052 |
| Franchise taxes | 146,407 | - | - | - | 146,407 |
| Intergovernmental | 32,587 | - | - | 177,683 | 210,270 |
| Court fines & fees | 779,885 | - | - | - | 779,885 |
| Due from other funds | 106,856 | - | - | 170,326 | 277,182 |
| Total Assets | <u>12,752,598</u> | <u>5,772,673</u> | <u>4,475,714</u> | <u>7,042,251</u> | <u>30,043,236</u> |
| LIABILITIES | | | | | |
| Claims payable | 174,394 | 653,627 | - | 65,057 | 893,078 |
| Wages payable | 322,884 | - | - | - | 322,884 |
| Retainage payable | - | 88,365 | - | - | 88,365 |
| Due to other funds | - | - | - | 61 | 61 |
| Total Liabilities | <u>497,278</u> | <u>741,992</u> | <u>-</u> | <u>65,118</u> | <u>1,304,388</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes for future reporting period | 5,225,994 | - | - | 246,090 | 5,472,084 |
| Unavailable revenue - fines | 779,885 | - | - | - | 779,885 |
| Total Deferred Inflows of Resources | <u>6,005,879</u> | <u>-</u> | <u>-</u> | <u>246,090</u> | <u>6,251,969</u> |
| FUND BALANCES | | | | | |
| Restricted: | | | | | |
| Grant/bond purposes | - | 5,030,681 | 4,475,714 | 4,478,913 | 13,985,308 |
| Unemployment compensation | 4,853 | - | - | - | 4,853 |
| Debt service | - | - | - | 21,034 | 21,034 |
| Committed: | | | | | |
| Community support | - | - | - | 3,462 | 3,462 |
| Assigned: | | | | | |
| Emergency travel fund | 1,144 | - | - | - | 1,144 |
| Unassigned | 6,243,444 | - | - | 2,227,634 | 8,471,078 |
| Total Fund Balances | <u>6,249,441</u> | <u>5,030,681</u> | <u>4,475,714</u> | <u>6,731,043</u> | <u>22,486,879</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 12,752,598</u> | <u>5,772,673</u> | <u>4,475,714</u> | <u>7,042,251</u> | <u>30,043,236</u> |

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

City of Gautier, Mississippi
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position
 September 30, 2023

Total governmental funds balance \$ 22,486,879

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 | \$ 49,010,989 | \$ 41,948,020 |
| Less: accumulated depreciation | <u>(7,062,969)</u> | |

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) | \$ (6,936,830) | \$ (8,693,440) |
| Notes payable | <u>(960,565)</u> | |
| Lease obligations | <u>(325,788)</u> | |
| Compensated absences | <u>(470,257)</u> | |

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

| | | |
|------------------------|------------|------------|
| Court fines receivable | \$ 779,885 | \$ 779,885 |
|------------------------|------------|------------|

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 | \$ (18,579,492) | |
|-----------------------|-----------------|--|

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 | \$ 4,246,210 | \$ 4,218,497 |
| Deferred inflows of resources related to pensions | <u>(27,713)</u> | |

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 | \$ 797,110 | \$ 688,733 |
| Estimated claims payable | <u>(108,377)</u> | |

Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds.

| | | |
|---|-------------|--|
| Net position of governmental activities | \$ (31,687) | |
|---|-------------|--|

| | | |
|---|---------------|--|
| Net position of governmental activities | \$ 42,817,395 | |
|---|---------------|--|

City of Gautier, Mississippi
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended September 30, 2023

| | Major Funds | | | | | |
|---|-------------------|-------------------------|-------------------------------|-----------|--------------------------------|--------------------------------|
| | Town Commons | | Town Center | | Other Governmental Funds | Total Governmental Funds |
| | General Fund | Park Project Fund | Retail Dev Complex Fund | | | |
| Revenues | | | | | | |
| Property taxes | \$ 5,781,688 | | - | - | 125,774 | 5,907,462 |
| General sales and use taxes | 2,937,103 | | - | - | 1,011,189 | 3,948,292 |
| Franchise fees | 104,103 | | - | - | - | 104,103 |
| Licenses and permit fees | 154,868 | | - | - | - | 154,868 |
| Intergovernmental | 995,857 | 3,450,000 | 2,000,000 | | 1,029,656 | 7,475,513 |
| Charges for services | 51,214 | | - | - | 177,589 | 228,803 |
| Fines and forfeitures | 329,231 | | - | - | - | 329,231 |
| Investment earnings | 33,677 | 21,837 | 2,243 | | 18,730 | 76,487 |
| Miscellaneous | 35,609 | | - | - | 12,489 | 48,098 |
| Total Revenues | 10,423,350 | 3,471,837 | 2,002,243 | | 2,375,427 | 18,272,857 |
| Expenditures | | | | | | |
| General government | 2,990,020 | | - | - | 58,237 | 3,048,257 |
| Public safety | 5,364,882 | | - | - | 1,645,359 | 7,010,241 |
| Public works | 513,710 | | - | - | 78,001 | 591,711 |
| Culture & recreation | 759,426 | | - | - | 455,633 | 1,215,059 |
| Capital outlay | 226,330 | 3,947,719 | 33,245 | | 2,467,641 | 6,674,935 |
| Debt service: | | | | | | |
| Principal | 157,737 | | - | - | 594,000 | 751,737 |
| Interest and bond issue costs | 4,809 | | - | - | 237,003 | 241,812 |
| Total Expenditures | 10,016,914 | 3,947,719 | 33,245 | | 5,535,874 | 19,533,752 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | 406,436 | (475,882) | 1,968,998 | | (3,160,447) | (1,260,895) |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds from leases | 226,330 | | - | - | - | 226,330 |
| Sale of capital assets | 88,943 | | - | - | - | 88,943 |
| Insurance proceeds | 75,170 | | - | - | - | 75,170 |
| Transfers in | 1,080,000 | | - | 2,506,716 | 801,068 | 4,387,784 |
| Transfers out | (801,068) | (2,506,716) | - | - | - | (3,307,784) |
| Total Other Financing Sources (Uses) | 669,375 | (2,506,716) | 2,506,716 | | 801,068 | 1,470,443 |
| Net changes in fund balances | 1,075,811 | (2,982,598) | 4,475,714 | | (2,359,379) | 209,548 |
| Fund balances - beginning | 5,173,630 | 8,013,279 | - | - | 9,090,422 | 22,277,331 |
| Fund balances - ending | \$ 6,249,441 | 5,030,681 | 4,475,714 | | 6,731,043 | 22,486,879 |

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, 2023

Net Change in Fund Balances - total governmental funds \$ 209,548

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 | \$ 6,674,935 | |
| Depreciation | <u>(911,413)</u> | 5,763,522 |

In the Statement of Activities, only gains and losses from the sale/disposal of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$128,037. (128,037)

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 capital leases | (226,330) | |
| Debt retirement | <u>751,737</u> | |

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. 31,525

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 | (1,831,438) | |
|---|-------------|--|

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 | 336 | |
| Amortization of bond premium | <u>3,240</u> | |
| Compensated absences | (51,345) | |

Internal service funds are used by management to charge the cost of certain activities, such as insurance costs and risk management, to individual funds. 154,300

Change in net position of governmental activities \$ 4,677,058

City of Gautier, Mississippi

Statement of Net Position

Proprietary Funds

September 30, 2023

| | Business-type Activities | | | Governmental Activities |
|---------------------------------------|--------------------------------------|---------------------|------------|-------------------------|
| | Water and Sewer Funds Combined | Solid Waste Fund | Total | Self Insurance Fund |
| | | | | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash | \$ 2,619,420 | 110,591 | 2,730,011 | 661,543 |
| Receivables: | | | | |
| Customer accounts, net | 1,082,948 | 214,221 | 1,297,169 | - |
| Other receivables | 724,670 | - | 724,670 | 1,188 |
| Due from other funds | - | 149,324 | 149,324 | - |
| Prepaid insurance | - | - | - | 134,379 |
| Total Current Assets | 4,427,038 | 474,136 | 4,901,174 | 797,110 |
| Noncurrent Assets | | | | |
| Restricted and noncurrent cash | 5,871,722 | - | 5,871,722 | - |
| Capital assets | | | | |
| Land and construction in progress | 6,091,983 | - | 6,091,983 | - |
| Other capital assets, net | 39,852,863 | 3,694 | 39,856,557 | - |
| Total Noncurrent Assets | 51,816,568 | 3,694 | 51,820,262 | - |
| Total Assets | 56,243,606 | 477,830 | 56,721,436 | 797,110 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 271,035 | - | 271,035 | - |
| Total Deferred Inflows of Resources | 271,035 | - | 271,035 | - |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Claims and wages payable | 445,413 | - | 445,413 | 108,377 |
| Accrued interest | 113,940 | - | 113,940 | - |
| Retainage payable | 82,725 | - | 82,725 | - |
| Due to other funds | 426,445 | - | 426,445 | - |
| Capital debt: | | | | |
| Bonds payable | 609,000 | - | 609,000 | - |
| Notes payable | 485,863 | - | 485,863 | - |
| Capital leases payable | 119,965 | - | 119,965 | - |
| Non-capital debt: | | | | |
| Compensated absences payable | 7,655 | - | 7,655 | - |
| Total Current Liabilities | 2,291,006 | - | 2,291,006 | 108,377 |
| Noncurrent Liabilities | | | | |
| Capital debt: | | | | |
| Bonds payable | 10,295,000 | - | 10,295,000 | - |
| Notes payable | 1,186,536 | - | 1,186,536 | - |
| Capital leases payable | 1,314,549 | - | 1,314,549 | - |
| Non-capital debt: | | | | |
| Compensated absences payable | 12,670 | - | 12,670 | - |
| Customer deposits | 894,582 | - | 894,582 | - |
| Net pension liability | 1,185,925 | - | 1,185,925 | - |
| Total Noncurrent Liabilities | 14,889,262 | - | 14,889,262 | - |
| Total Liabilities | 17,180,268 | - | 17,180,268 | 108,377 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 1,769 | - | 1,769 | - |
| Total Deferred Inflows of Resources | 1,769 | - | 1,769 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 35,000,894 | 3,694 | 35,004,588 | - |
| Restricted Net Position: | | | | |
| Restricted for debt service | 1,473,872 | | 1,473,872 | - |
| Unrestricted | 2,857,838 | 474,136 | 3,331,974 | 688,733 |
| Total Net Position | \$ 39,332,604 | 477,830 | 39,810,434 | 688,733 |

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, 2023

| | Business-type Activities | | | Governmental Activities |
|---|--------------------------|------------------|--------------------------------|-------------------------|
| | Water and Sewer Funds | Solid Waste Fund | Total Business-type Activities | Self Insurance Fund |
| | Combined | | | |
| Operating revenues | | | | |
| Charges for services | \$ 8,518,436 | 1,594,988 | 10,113,424 | - |
| Employee contributions | - | - | - | 1,623,045 |
| Insurance claim reimbursements | - | - | - | 123,816 |
| Miscellaneous operating revenues | 390,614 | - | 390,614 | - |
| Total operating revenues | <u>8,909,050</u> | <u>1,594,988</u> | <u>10,504,038</u> | <u>1,746,861</u> |
| Operating Expenses: | | | | |
| Personnel services | 657,053 | - | 657,053 | - |
| Wastewater treatment | 2,860,464 | - | 2,860,464 | - |
| Privatization costs | 2,106,518 | - | 2,106,518 | - |
| Waste collection and disposal | - | 1,178,403 | 1,178,403 | - |
| Supplies | 261,220 | - | 261,220 | - |
| Maintenance and repairs | 427,527 | - | 427,527 | - |
| Other contractual services and charges | 976,824 | - | 976,824 | 584,897 |
| Claims and estimate changes | - | - | - | 1,009,428 |
| Depreciation and amortization | 1,333,662 | - | 1,333,662 | - |
| Total operating expenses | <u>8,623,268</u> | <u>1,178,403</u> | <u>9,801,671</u> | <u>1,594,325</u> |
| Operating income (loss) | <u>285,782</u> | <u>416,585</u> | <u>702,367</u> | <u>152,536</u> |
| Non-operating Revenues (Expenses) | | | | |
| Interest and investment revenue | 45,867 | - | 45,867 | 1,764 |
| Insurance proceeds | 13,260 | - | 13,260 | - |
| Interest expense and bond issue costs | (336,883) | - | (336,883) | - |
| Grant revenue | 3,348,430 | - | 3,348,430 | - |
| Transfers out | (780,000) | (300,000) | (1,080,000) | - |
| Total non-operating Revenues (Expenses) | <u>2,290,674</u> | <u>(300,000)</u> | <u>1,990,674</u> | <u>1,764</u> |
| Change in net position | 2,576,456 | 116,585 | 2,693,041 | 154,300 |
| Net position - beginning | <u>36,756,148</u> | <u>361,245</u> | <u>37,117,393</u> | <u>534,433</u> |
| Net position - ending | \$ <u>39,332,604</u> | <u>477,830</u> | <u>39,810,434</u> | <u>688,733</u> |

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

City of Gautier, Mississippi
Statement Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | 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 | \$ 8,811,917 | 1,599,849 | 10,411,766 | - |
| Cash received for premiums | - | - | - | 1,614,074 |
| Other operating receipts | 390,614 | - | 390,614 | 245,523 |
| Cash paid to employees | (530,908) | - | (530,908) | - |
| Cash paid to suppliers | (261,220) | - | (261,220) | - |
| Cash paid to contractors | (6,047,996) | (1,286,098) | (7,334,094) | - |
| Cash paid for judgements and claims | - | - | - | (1,288,633) |
| Cash paid for administrative services | - | - | - | (584,897) |
| Net cash provided by (used in) operating activities | <u>2,362,407</u> | <u>313,751</u> | <u>2,676,158</u> | <u>(13,933)</u> |
| Cash Flows From Non-Capital Financing Activities | | | | |
| Grant revenues | 2,943,533 | - | 2,943,533 | - |
| Insurance proceeds | 13,260 | - | 13,260 | - |
| Advances from (to) other funds | (502,879) | (300,000) | (802,879) | - |
| Net cash flows provided by (used in) non-capital financing activities | <u>2,453,914</u> | <u>(300,000)</u> | <u>2,153,914</u> | <u>-</u> |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Purchase of capital assets | (4,817,356) | - | (4,817,356) | - |
| Repayment of debt | (1,449,708) | - | (1,449,708) | - |
| Interest and amortization on debt | (282,958) | - | (282,958) | - |
| Net cash provided by (used in) capital and related financing activities | <u>(6,550,022)</u> | <u>-</u> | <u>(6,550,022)</u> | <u>-</u> |
| Cash Flows From Investing Activities | | | | |
| Interest received | <u>45,867</u> | <u>-</u> | <u>45,867</u> | <u>1,764</u> |
| Net cash flows provided by (used in) investing activities | <u>45,867</u> | <u>-</u> | <u>45,867</u> | <u>1,764</u> |
| Net increase (decrease) in cash | (1,687,834) | 13,751 | (1,674,083) | (12,169) |
| Cash - October 1 | <u>10,178,976</u> | <u>96,840</u> | <u>10,275,816</u> | <u>673,712</u> |
| Cash - September 30 | <u>\$ 8,491,142</u> | <u>110,591</u> | <u>8,601,733</u> | <u>661,543</u> |

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, 2023

| | 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) | \$ 285,782 | 416,585 | 702,367 | 152,536 | |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 1,333,661 | - | 1,333,661 | - | |
| (Acrease) decrease in assets: | | | | | |
| Accounts receivable | 286,756 | 4,861 | 291,617 | 121,707 | |
| Prepaid premiums | - | - | - | (8,971) | |
| Customer deposits | 6,725 | - | 6,725 | - | |
| Increase (decrease) in liabilities: | | | | | |
| Claims payable | 277,840 | (107,695) | 170,145 | (279,205) | |
| Wages payable | (7,546) | - | (7,546) | - | |
| Retainage payable | 45,497 | - | 45,497 | - | |
| Compensated absences | (117) | - | (117) | - | |
| Pension liabilities and deferrals | 133,809 | - | 133,809 | - | |
| Net cash provided by (used in) operating activities | <u>\$ 2,362,407</u> | <u>313,751</u> | <u>2,676,158</u> | <u>(13,933)</u> | |

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, 2023

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, 2023

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, 2023

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, 2023

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 represent 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, 2023

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, 2023, 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, 2023

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. Leases

Lessee

Capital Assets and Right to Use Lease Assets Capital assets and right to use lease assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The City did not have any Right to Use Assets during the current fiscal year.

Lessor

The City is a lessor for leases of land, mainly consisting of cell tower leases. The City recognizes a lease receivable and deferred inflow of lease receipts in both the fund level and government-wide financial statements. The City recognizes lease receivables with an initial, individual value of \$10,000 or more. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

M. Leases (continued)

The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments related to leases include how the City determines:

- the discount rate it uses to discount the expected lease payments to present value,
- lease term, and,
- lease payments:

The City uses the interest rate as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the lessee is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable. Deferred inflows of lease receipts are reported with other deferred inflows related to pension and lease receivables are reported with current assets on the Statement of Net Position.

N. 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.

O. Compensated Absences

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

An employee may accumulate unused vacation leave hours without limitation, however, cash payments upon employee termination or retirement are limited to a maximum of 240 hours of 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.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

P. 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.

Q. 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.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Net Position (continued)

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."

R. 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.

S. 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.

T. 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, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

U. Reporting Changes and New Accounting Pronouncements for Future Implementation

GASB 96, Subscription-Based Information Technology Arrangements (SBITAs), was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purpose of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

Note 2 – Cash

A summary of cash (including restricted cash) at September 30, 2023 is as follows:

| | Pooled Cash Deposits | Cash Deposits | Cash Held by Fiscal Agent | Cash on Hand | Total |
|--------------------------------------|----------------------------|-------------------|---------------------------------|-----------------|-------------------|
| Governmental Activities | | | | | |
| General Fund | \$ 5,664,443 | \$ 340,404 | \$ - | \$ 1,550 | \$ 6,006,397 |
| Town Commons Park Project Fund | - | 5,772,673 | - | - | 5,772,673 |
| Town Ccenter Retail Dev Complex Fund | - | 4,475,714 | - | - | 4,475,714 |
| Other Nonmajor Governmental Funds | 3,709,972 | 2,734,669 | - | 50 | 6,444,691 |
| Total governmental funds | <u>9,374,415</u> | <u>13,323,460</u> | <u>-</u> | <u>1,600</u> | <u>22,699,475</u> |
| Self Insurance Fund | - | 528,227 | 133,316 | - | 661,543 |
| Total governmental activities | <u>9,374,415</u> | <u>13,851,687</u> | <u>133,316</u> | <u>1,600</u> | <u>23,361,018</u> |
| Business-type Activities | | | | | |
| Water and Sewer Funds | 2,583,632 | 5,906,910 | - | 600 | 8,491,142 |
| Solid Waste Fund | - | 110,591 | - | - | 110,591 |
| Total business-type activities | <u>2,583,632</u> | <u>6,017,501</u> | <u>-</u> | <u>600</u> | <u>8,601,733</u> |
| Total cash and cash equivalents | <u>\$ 11,958,047</u> | <u>19,869,188</u> | <u>133,316</u> | <u>2,200</u> | <u>31,962,751</u> |

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 \$31,827,235 with city's total deposits with financial institutions at September 30, 2023. The bank balance was \$31,619,760. The amount of \$133,316 is held with a third-party servicer that handles the city's employee benefit fund and cash on hand totaled \$2,200.

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

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, 2023:

Governmental Activities

Cash

| | |
|--|-------------------|
| Restricted for grant/bond purposes | \$ 14,641,279 |
| Restricted for unemployment compensation | 4,853 |
| Restricted for debt service | 21,034 |
| Restricted for community support | 71,324 |
| Total governmental activities | <u>14,738,490</u> |

Business-type Activities

Cash

| | |
|---------------------------------------|------------------|
| Noncurrent cash for customer deposits | 931,125 |
| Restricted for capital/bond purposes | 3,466,725 |
| Restricted for debt service | 1,473,872 |
| Total business-type activities | <u>5,871,722</u> |

Total restricted and noncurrent cash - government-wide

\$ 20,610,212

Note 3 – Receivables

A. Governmental Activities

Receivables in the governmental activities at September 30, 2023, consisted of the following:

| | |
|--|---------------------|
| Taxes receivable: | |
| Property taxes | |
| Current | \$ 76,881 |
| For future reporting period | 5,472,084 |
| Total property taxes receivable | <u>5,548,965</u> |
| Intergovernmental receivable: | |
| Sales taxes | 381,052 |
| Franchise taxes | 146,407 |
| County road taxes | 32,587 |
| State and federal grants | 177,683 |
| Total intergovernmental | <u>737,729</u> |
| Court fines receivable | 15,597,699 |
| Less: allowance for doubtful accounts | (14,817,814) |
| Total court fines receivable, net | <u>779,885</u> |
| Self Insurance Fund | |
| Insurance rebates receivable | 1,188 |
| Total receivable - governmental activities | <u>\$ 7,067,767</u> |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 3 – Receivables (Continued)

B. Business-type Activities

Receivable in the business-type activities at September 30, 2023, consisted of the following:

| | |
|---|----------------------------|
| Intergovernmental receivable: | |
| Federal and state grants | 724,670 |
| Total intergovernmental | <u>724,670</u> |
| Customer accounts receivable: | |
| Customer utility charges (billed) | 3,270,327 |
| Customer accounts, earned but unbilled | 687,597 |
| Less: allowance for doubtful accounts | <u>(2,660,755)</u> |
| Total customer accounts receivable, net | <u>1,297,169</u> |
| Total receivable - business-type activities | <u><u>\$ 2,021,839</u></u> |

All trade receivables are shown net of an allowance for doubtful accounts. At September 30, 2023, the allowance for doubtful accounts was \$2,660,755. \$2,511,069 has been provided in the Water and Sewer Enterprise Fund and \$149,686 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, 2023, the City had the following transfers:

| Transfers In | Transfers Out | Amount |
|-------------------------|--------------------------|----------------------------|
| Governmental Activities | Business-type Activities | <u><u>\$ 1,080,000</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 transfers after year end.

| Receivable | Payable | Amount |
|------------------|-------------------------------|--------------------------|
| General Fund | Water & Sewer Fund | \$ 106,795 |
| General Fund | \$7M Capital Improv Bond Fund | 61 |
| ARPA Fund | Water & Sewer Fund | 170,326 |
| Solid Waste Fund | Water & Sewer Fund | 149,324 |
| | | <u><u>\$ 426,506</u></u> |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

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 | Water & Sewer Fund | \$ 780,000 |
| General Fund | Solid Waste Fund | 300,000 |
| Debt Service Fund | General Fund | 801,068 |
| Town Center Complex Fund | Town Commons Park Proj. Fund | 2,506,716 |
| | | <u><u>\$ 4,387,784</u></u> |

Note 5 – Capital assets

A. Governmental Activities

The following is a summary of governmental capital assets activity for the year ended September 30, 2023:

| | Balance 10/01/2022* | Additions | Adjustments/ Sales | Balance 9/30/2023 |
|--|-----------------------------|-------------------------|-------------------------|--------------------------|
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 11,742,761 | - | - | 11,742,761 |
| Construction in Progress | 6,929,737 | 6,242,134 | (3,605,441) | 9,566,430 |
| Total | <u>18,672,498</u> | <u>6,242,134</u> | <u>(3,605,441)</u> | <u>21,309,191</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings & Improvements | 3,147,307 | - | - | 3,147,307 |
| Infrastructure | 17,284,157 | - | 3,605,441 | 20,889,598 |
| Machinery & Equipment | 3,722,820 | 432,801 | (490,728) | 3,664,893 |
| Total | <u>24,154,284</u> | <u>432,801</u> | <u>3,114,713</u> | <u>27,701,798</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings & Improvements | 811,290 | 62,946 | - | 874,236 |
| Infrastructure | 3,514,032 | 482,572 | 2,745 | 3,999,349 |
| Machinery & Equipment | 2,188,925 | 365,895 | (365,436) | 2,189,384 |
| Total accumulated depreciation/amortization | <u>6,514,247</u> | <u>911,413</u> | <u>(362,691)</u> | <u>7,062,969</u> |
| Net Capital assets being depreciated/amortized | <u>17,640,037</u> | <u>(478,612)</u> | <u>3,477,404</u> | <u>20,638,829</u> |
| Total governmental activities capital assets, net | <u><u>\$ 36,312,535</u></u> | <u><u>5,763,522</u></u> | <u><u>(128,037)</u></u> | <u><u>41,948,020</u></u> |

* 2022 is restated for Prior Period Adjustment (See Note 18)

Depreciation and amortization expense was charged to the following governmental functions:

| | |
|----------------------|--------------------------|
| General Government | \$ 71,409 |
| Public Safety | 330,451 |
| Public Works | 336,102 |
| Culture & Recreation | 173,451 |
| | <u><u>\$ 911,413</u></u> |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 5 – Capital assets (continued)

B. Business-type Activities

The following is a summary of business-type capital assets for the year ended September 30, 2023:

| | Balance 10/1/2022 | Additions | Adjustments/ Sales | Balance 9/30/2023 |
|---|----------------------|------------------|-----------------------|----------------------|
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 1,215,870 | 3,000 | - | 1,218,870 |
| Construction in Progress | 3,125,436 | 4,794,633 | (3,046,956) | 4,873,113 |
| Total | 4,341,306 | 4,797,633 | (3,046,956) | 6,091,983 |
| Capital assets being depreciated/amortized: | | | | |
| Infrastructure | 54,381,145 | 35,199 | 3,046,956 | 57,463,300 |
| Machinery & Equipment | 1,751,413 | 16,048 | (315,220) | 1,452,241 |
| Total | 56,132,558 | 51,247 | 2,731,736 | 58,915,541 |
| Less accumulated depreciation/amortization for: | | | | |
| Infrastructure | 16,508,687 | 1,268,895 | - | 17,777,582 |
| Machinery & Equipment | 1,500,331 | 64,767 | (283,696) | 1,281,402 |
| Total accumulated depreciation/amortization | 18,009,018 | 1,333,662 | (283,696) | 19,058,984 |
| Net capital assets being depreciated/amortized | 38,123,540 | (1,282,415) | 3,015,432 | 39,856,557 |
| Total business-type activities capital assets, net | \$ 42,464,846 | 3,515,218 | (31,524) | 45,948,540 |

Depreciation and amortization expense of \$1,333,662 was charged to the water sewer fund.

C. Construction Commitments

Remaining construction commitments for the City is composed of the following:

| Project | Money Spent to Date | Remaining Commitment |
|---|------------------------|-------------------------|
| Governmental activities: | | |
| Martin Bluff Widening | \$ 2,831,067 | \$ 5,597,535 |
| Shephard State Park Expansion | 60,480 | 1,428,152 |
| Town Commons Park - Phase 2 | 346,150 | 2,439,533 |
| Town Commons Park - Amphitheatre | 3,227,706 | 1,603,352 |
| Total governmental activities | 6,465,403 | 11,068,572 |
| Business-type activities | | |
| Water Supply and Treatment Plant | 4,246,240 | 3,837,486 |
| MCWI Lift Station Upgrades | 43,295 | 3,222,085 |
| MCWI Water and Sewer Improvements | 63,500 | 1,156,167 |
| MCWI Sanitary Sewer Main Rehabilitation | 191,814 | 270,000 |
| Water and Sewer Improvements | 328,215 | 579,902 |
| Total business-type activities | 4,873,064 | 9,065,640 |
| Total government-wide | \$ 11,338,467 | 20,134,212 |

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

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, 2023, were \$15,597,699, of which an allowance of \$14,817,814 has been determined as uncollectible with \$779,885 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, 2022, to January 1, 2023. 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, 2023, the amount of this liability was \$108,377.

| | Amount |
|---------------------------------|--------------------------|
| Liability at beginning of year | \$ 387,582 |
| Claims and changes of estimates | 730,223 |
| Claims payments | (1,009,428) |
| Liability at end of year | <u><u>\$ 108,377</u></u> |

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

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, 2023, 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, 2023

Note 8 – Retirement Plan (continued)

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

At September 30, 2023, the City reported a liability of \$18,579,492 in the governmental activities and \$1,185,925 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, 2023, 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, 2023, the City's proportion was .079%. For the year ended September 30, 2023, the City recognized additional PERS pension expense for governmental activities of \$1,831,438 and for the business-type activities of \$133,809 from the City's proportionate share of pension expense. The total pension expense for governmental activities was \$2,794,391 and for the business-type activities was \$195,274.

At September 30, 2023, 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 | \$ 465,203 | 29,694 | 494,897 |
| Changes of assumptions | 2,181,581 | 139,250 | 2,320,831 |
| Net difference between projected and actual earnings on pension plan investments | 726,914 | 46,399 | 773,313 |
| Changes in proportion and differences between City contributions and proportionate share on contributions | 618,678 | 39,490 | 658,168 |
| City's contributions subsequent to the measurement date | 253,834 | 16,202 | 270,036 |
| Total deferred outflows related to pensions | \$ 4,246,210 | 271,035 | 4,517,245 |

At September 30, 2023, 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 | \$ 27,713 | 1,769 | 29,482 |
| Total | \$ 27,713 | \$ 1,769 | \$ 29,482 |

Within the deferred outflows, a net amount of \$270,036 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, 2023.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 8 – Retirement Plan (continued)

The remaining amounts reported as deferred outflows of resources related to pensions of \$4,487,763 and deferred inflows of resources related to pensions of \$29,482 netting to \$4,217,727 will be recognized in pension expense as follows:

| Year Ending <u>September 30,</u> | |
|-------------------------------------|----------------------------|
| 2024 | \$ 1,677,200 |
| 2025 | 1,073,612 |
| 2026 | 1,461,037 |
| 2027 | <u>5,878</u> |
| | <u><u>\$ 4,217,727</u></u> |

Actuarial assumptions

The total pension liabilities in the June 30, 2023, 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 | 7.00 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, 2023, valuation was based on the results of an actuarial experience study for the four year period ending June 30, 2022. The experience report is dated April 21, 2023.

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 weighing 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, 2023

Note 8 – Retirement Plan (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|------------------------|--|
| Domestic Equity | 27.00 % | 4.75 % |
| International Equity | 22.00 | 4.75 |
| Global Equity | 12.00 | 4.95 |
| Fixed Income | 20.00 | 1.75 |
| Real Estate | 10.00 | 3.25 |
| Private Equity | 8.00 | 6.00 |
| Cash Equivalents | 1.00 | 0.25 |
| Total | <u><u>100.00 %</u></u> | |

Discount rate

The discount rate used to measure the total pension liability was 7.00 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 (9.00 percent) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40 percent for fiscal year end 2024, 17.90 percent for fiscal year end 2025, 18.40 percent for fiscal year end 2026, and 22.40 percent for fiscal year end 2027). 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 on pension plan investments was applied to all periods of projected benefit payments to determine the 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 7.00 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 (6.00 percent) or one percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1 % Increase (8.00%) |
|------------------------------------|------------------------|----------------------------------|-------------------------|
| City's Proportionate share of PERS | \$ 25,488,006 | \$ 19,765,417 | \$ 15,069,396 |

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, 2023, 2022 and 2021 were \$1,016,778, \$1,018,283, and \$823,651, respectively, which equaled the required contributions for each year.

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 9 – Long-term Debt

Debt outstanding at September 30, 2023 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 | \$ 2,940,000 | 1.75% | 09/30/30 |
| Special Limited Obligation Bonds, Series 2019 | 4,390,000 | <u>3,940,000</u> | 3.00-4.00% | 03/01/41 |
| Total Obligation Bonds | | <u>6,880,000</u> | | |
| B. Notes Payable | | | | |
| Notes Payable-MDA Cap Improv Loan | 763,087 | 516,076 | 2.00% | 02/01/36 |
| Notes Payable-SMPDD Cap Improv Loan | 500,000 | <u>444,489</u> | 2.75% | 04/01/36 |
| Total Notes Payable | | <u>960,565</u> | | |
| C. Capital Leases: | | | | |
| Hancock Bank | | | | |
| secured by AS400 Network, \$10,498 annually | 46,760 | 19,805 | 3.98% | 06/04/25 |
| South Mississippi Planning and Development | | | | |
| secured by three Police Cars, \$27,360 annually | 126,201 | 52,844 | 2.75% | 10/01/25 |
| Community Bank | | | | |
| secured by Ford Expedition - HIDTA, \$14,024 annually | 39,347 | 26,809 | 2.20% | 08/01/25 |
| Cadence Bank | | | | |
| secured by five 2023 Ford Explorers, \$84,258 annually | 226,330 | <u>226,330</u> | 5.59% | 07/25/26 |
| Total Capital Leases | | <u>325,788</u> | | |
| Total governmental activities | | <u>8,166,353</u> | | |
| Business-type Activities: | | | | |
| A. Bonds | | | | |
| Revenue Refunding Bonds, Series 2018 | 4,000,000 | 3,270,000 | 4.00-4.375% | 05/01/35 |
| Revenue Refunding Bonds, Series 2019 | 6,000,000 | 5,360,000 | 2.50-3.50% | 07/01/33 |
| Revenue Refunding Bonds, Series 2020 | 2,579,000 | <u>2,274,000</u> | 1.75% | 07/01/33 |
| Total Bonds Payable | | <u>10,904,000</u> | | |
| B. Notes Payable | | | | |
| Secured by sales tax revenue | | | | |
| State Revolving Fund Loan, 2006, \$7,877 monthly | 1,288,485 | 147,512 | 1.75% | 04/01/25 |
| State Revolving Fund Loan, 2006, \$10,949 monthly | 1,865,320 | 300,173 | 1.75% | 01/01/26 |
| State Revolving Fund Loan, 2006, \$9,666 monthly | 1,760,448 | 624,479 | 2.75% | 06/01/29 |
| Drinking Water System Impr. Revolving Loan, \$9,019 monthly | 1,344,987 | 242,163 | 3.56% | 01/01/26 |
| Drinking Water System Impr. Revolving Loan, \$2,150 monthly | 422,610 | 109,094 | 1.95% | 02/01/28 |
| Drinking Water System Impr. Revolving Loan, \$3,766 monthly | 740,239 | <u>248,978</u> | 1.95% | 05/01/29 |
| Total Notes Payable | | <u>1,672,399</u> | | |
| C. Capital Leases: | | | | |
| Bancorpsouth | | | | |
| secured by water meters, \$287,450 annually | 3,235,000 | <u>1,434,514</u> | 3.29% | 04/04/29 |
| Total business-type activities | | <u>14,010,913</u> | | |
| Total government | \$ | <u>22,177,266</u> | | |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 9 – Long-term Debt (Continued)

A. Governmental Activities

Transactions for the year ended September 30, 2023 are summarized as follows:

| | Balance 10/1/2022 | Additions | Retirements | Balance 9/30/2023 | Due Within one Year |
|--------------------------|----------------------|-------------------|---------------------|----------------------|---------------------------|
| General Obligation Bonds | \$ 3,379,000 | - | (439,000) | 2,940,000 | 419,000 |
| Special Obligation Bonds | 4,095,000 | - | (155,000) | 3,940,000 | 160,000 |
| Notes Payable | 1,033,532 | - | (72,967) | 960,565 | 64,892 |
| Capital Leases | 184,228 | 226,330 | (84,770) | 325,788 | 120,143 |
| Compensated Absences | 418,912 | 51,345 | - | 470,257 | 51,401 |
| | <u>9,110,672</u> | <u>277,675</u> | <u>(751,737)</u> | <u>8,636,610</u> | <u>815,436</u> |
| Add: | | | | | |
| Bond Premium | 60,070 | - | (3,240) | 56,830 | - |
| | <u>\$ 9,170,742</u> | <u>\$ 277,675</u> | <u>\$ (754,977)</u> | <u>\$ 8,693,440</u> | <u>\$ 815,436</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 |
|---------------|---------------------|----------------|------------------|
| 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 | 421,000 | 21,927 | 442,927 |
| 2029-2030 | 832,000 | 21,840 | 853,840 |
| | <u>\$ 2,940,000</u> | <u>205,397</u> | <u>3,145,397</u> |

Special Obligation Bonds

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

| September 30, | Principal | Interest | Total |
|---------------|---------------------|------------------|------------------|
| 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 | 185,000 | 108,481 | 293,481 |
| 2029-2033 | 1,035,000 | 437,400 | 1,472,400 |
| 2034-2038 | 1,210,000 | 254,752 | 1,464,752 |
| 2039-2041 | 835,000 | 44,363 | 879,363 |
| | <u>\$ 3,940,000</u> | <u>1,348,222</u> | <u>5,288,222</u> |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 9 – Long-term Debt (Continued)

A. Governmental Activities (Continued)

Notes Payable

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

| September 30, | Principal | Interest | Total |
|---------------|--------------------------|-----------------------|-------------------------|
| 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 | 71,168 | 16,285 | 87,453 |
| 2029-2033 | 381,633 | 55,635 | 437,268 |
| 2034-2037 | 238,970 | 11,220 | 250,190 |
| | <u><u>\$ 960,565</u></u> | <u><u>164,162</u></u> | <u><u>1,124,727</u></u> |

B. Business-type Activities

Transactions for the year ended September 30, 2023 are summarized as follows:

| | Balance 10/1/2022 | Additions | Retirements | Balance 9/30/2023 | Due Within one Year |
|--------------------------------|-----------------------------|-----------------|---------------------------|--------------------------|---------------------------|
| Revenue Refunding Bonds | \$ 11,490,000 | - | (586,000) | 10,904,000 | 609,000 |
| Special Obligation Bonds | 155,000 | - | (155,000) | - | - |
| Notes Payable-Revolving Loans | 2,147,010 | - | (474,611) | 1,672,399 | 485,863 |
| Capital Leases | 1,668,611 | - | (234,097) | 1,434,514 | 119,965 |
| Compensated Absences | 20,442 | - | (117) | 20,325 | 7,655 |
| Total business-type activities | <u><u>\$ 15,481,063</u></u> | <u><u>-</u></u> | <u><u>(1,449,825)</u></u> | <u><u>14,031,238</u></u> | <u><u>1,222,483</u></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.

B. Business-type Activities

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

| September 30, | Principal | Interest | Total |
|---------------|-----------------------------|-------------------------|--------------------------|
| 2024 | \$ 609,000 | 310,295 | 919,295 |
| 2025 | 626,000 | 291,606 | 917,606 |
| 2026 | 642,000 | 272,601 | 914,601 |
| 2027 | 668,000 | 252,879 | 920,879 |
| 2028 | 683,000 | 232,389 | 915,389 |
| 2029-2033 | 3,756,000 | 860,034 | 4,616,034 |
| 2034-2038 | 3,105,000 | 382,084 | 3,487,084 |
| 2039-2041 | 815,000 | 21,590 | 836,590 |
| | <u><u>\$ 10,904,000</u></u> | <u><u>2,623,478</u></u> | <u><u>13,527,478</u></u> |

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 9 – Long-term Debt (Continued)

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 principal payment amounts 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 |
|---------------|----------------------------|----------------------|-------------------------|
| 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 | 166,388 | 5,542 | 171,930 |
| 2029 | 132,778 | 1,541 | 134,319 |
| | <u><u>\$ 1,672,395</u></u> | <u><u>90,550</u></u> | <u><u>1,762,945</u></u> |

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, 2023, the amount of outstanding debt was equal to 7.6% of the latest property assessments.

Note 10 – Lease Obligations

The Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases was 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 holders. The City insures the assets and accounts for the leasing arrangements. Amortization of leased equipment under capital assets is included with depreciation expense.

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 10 – Lease Obligations (continued)

The following is a schedule of the City's present value of capital lease payments as of September 30, 2023:

| Issuer | Leased Equipment | Matures | Original Issue | Stated Interest Rate | Minimum Lease Payments as of 9/30/2023 |
|---------------------------------|------------------------------|--------------|----------------|----------------------|--|
| Governmental Activities | | | | | |
| Cadence Bank | 5 Police Cars | July 2026 | 226,330 | 5.59% | 226,330 |
| SMPPD | 3 Police Cars | October 2025 | 126,201 | 2.75% | 50,741 |
| Hancock Bank | AS 400 Computer Equipment | June 2025 | 46,760 | 3.98% | 18,683 |
| Community Bank | 2022 Ford Expedition - HIDTA | August 2025 | 39,347 | 2.20% | 25,654 |
| Total Governmental Activities | | | | | <u>321,408</u> |
| Business-type Activities | | | | | |
| Cadence Bank | Water Meters | April 2029 | 3,235,000 | 3.29% | 1,424,919 |
| Total Business-type Activities | | | | | <u>\$ 1,424,919</u> |

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2023:

| Classes of Property | Governmental Activities | Business-type Activities |
|--------------------------------------|-------------------------|--------------------------|
| Governmental activities: | | |
| Police vehicles | \$ 365,553 | - |
| Computer equipment | 46,760 | - |
| Water meter project | - | 3,224,544 |
| Less: accumulated amortization | (94,969) | (677,154) |
| Total equipment under capital leases | <u>\$ 317,344</u> | <u>2,547,390</u> |

The following is a schedule by years of the total payments due as of September 30, 2023:

| September 30, | Governmental Activities | | | Business-type Activities | | |
|---------------|-------------------------|---------------|----------------|--------------------------|----------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 120,143 | 16,014 | 136,157 | 241,917 | 45,533 | 287,450 |
| 2025 | 125,957 | 10,432 | 136,389 | 249,997 | 37,453 | 287,450 |
| 2026 | 79,688 | 4,570 | 84,258 | 258,347 | 29,103 | 287,450 |
| 2027 | - | - | - | 266,976 | 20,474 | 287,450 |
| 2028 | - | - | - | 275,893 | 11,557 | 287,450 |
| 2029 | - | - | - | 141,384 | 3,242 | 144,626 |
| | <u>\$ 325,788</u> | <u>31,016</u> | <u>356,804</u> | <u>1,434,514</u> | <u>147,362</u> | <u>1,581,876</u> |

Note 11 – Net Investment in Capital Assets

Governmental Activities:

Net investment in capital assets:

| | |
|---|----------------------|
| Capital Assets | |
| Capital assets | \$ 49,010,989 |
| Less: accumulated depreciation/amortization | (7,062,969) |
| Less: outstanding balances of borrowings for capital asset acquisition: | |
| Bonds related to capital improvements | (6,880,000) |
| Notes related to capital improvements | (960,565) |
| Capital leases | (325,788) |
| Less: material accounts and retainage payable at year end | (741,992) |
| Add: outstanding restricted cash for capital improvements | 14,062,264 |
| Total Net Investment in Capital Assets - Governmental Activities | \$ 47,101,939 |

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 11 – Net Investment in Capital Assets (continued)

Business-type activities

Water and Sewer Fund

Net investment in capital assets:

| | |
|---|---------------|
| Capital Assets | \$ 64,970,572 |
| Capital assets | (19,025,726) |
| Less: accumulated depreciation | (10,904,000) |
| Less: outstanding balances of borrowings for capital asset acquisition: | (1,672,399) |
| Revenue refunding bonds related to capital improvements | (1,434,514) |
| Revolving loans | (434,951) |
| Capital leases | 3,501,912 |
| Less: material accounts and retainage payable at year end | 35,000,894 |
| Add: outstanding restricted cash for capital improvements | |
| Net investment in capital assets - Water and Sewer Fund | |

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 | \$ 35,004,588 |

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.

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, 2023 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.

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 12 – Property and Sales Tax Revenue (continued)

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 \$2,937,103.

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 2023 was \$21,485, for calendar year 2022 was \$23,116 and for calendar year 2021 was \$16,201.

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.

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 the 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, 2023. 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, 2023, the City paid a total of \$2,106,518 to Clearwater Solutions, LLC under this contract.

City of Gautier, Mississippi
 Notes to the Financial Statements
 September 30, 2023

Note 14 – Commitments and Contingencies (continued)

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, 2023. This amount includes commercial and residential garbage collection. During the fiscal year ended September 30, 2023, the City paid a total of \$1,175,402 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 \$129,342 to the Library for the year ended September 30, 2023.

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 following is a synopsis of the Authority’s financial statements as of and for the year ended September 30, 2023:

CONDENSED STATEMENT OF NET POSITION

| <u>ASSETS</u> | |
|---------------------------------------|-----------------------------|
| Current assets | \$ 4,200,639 |
| Restricted assets | 6,702,962 |
| Capital assets, net | <u>159,609,379</u> |
| Total assets | <u><u>170,512,980</u></u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| | <u><u>4,164,292</u></u> |
| <u>LIABILITIES</u> | |
| Current liabilities | 5,901,380 |
| Long-term liabilities | <u>80,722,412</u> |
| Total liabilities | <u><u>86,623,792</u></u> |
| <u>NET POSITION</u> | |
| | <u><u>\$ 88,053,480</u></u> |

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

| | |
|---------------------------|------------------------------|
| Operating revenue | \$ 20,998,899 |
| Operating expenses | (25,755,829) |
| Nonoperating revenues | 2,832,862 |
| Nonoperating expenditures | (1,658,280) |
| Change in net position | <u><u>\$ (3,582,348)</u></u> |

City of Gautier, Mississippi
Notes to the Financial Statements
September 30, 2023

Note 16 – Joint Ventures (continued)

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 \$2,860,464 for the year.

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 2023 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.

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 November 5, 2024, (the date the financial statements were available to be issued), and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

In December 2023, the City issued a \$1,380,000 General Obligation Note, Series 2023 for the purpose of purchasing machinery and equipment.

Note 18– Prior Period Adjustment

Governmental activities net position for fiscal year ended September 30, 2022 was adjusted by \$35,000 for construction in process expenses not capitalized during the fiscal year.

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, 2023

| | Variances | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------------|------------------|
| | Budgeted Amounts | | Actual | Favorable (Unfavorable) | |
| | Original | Final | Budgetary Basis | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Property taxes | 5,653,290 | 5,653,290 | 5,651,650 | - | (1,640) |
| General sales and use tax | 2,625,000 | 2,625,000 | 2,754,443 | - | 129,443 |
| Fines and forfeitures | 325,000 | 325,000 | 322,413 | - | (2,587) |
| Licenses and permits | 109,500 | 109,500 | 128,163 | - | 18,663 |
| Intergovernmental | 931,759 | 986,182 | 1,010,360 | 54,423 | 24,178 |
| Franchise fees | 120,000 | 120,000 | 108,890 | - | (11,110) |
| Investment earnings | 10,000 | 10,000 | 45,914 | - | 35,914 |
| Miscellaneous | 156,300 | 306,802 | 344,015 | 150,502 | 37,213 |
| Total Revenues | 9,930,849 | 10,135,774 | 10,365,848 | 204,925 | 230,074 |
| Expenditures: | | | | | |
| General government: | | | | | |
| Personnel services | 1,708,570 | 1,708,570 | 1,696,232 | - | 12,338 |
| Supplies | 86,600 | 94,600 | 55,015 | (8,000) | 39,585 |
| Other services and charges | 1,963,795 | 2,065,435 | 1,370,322 | (101,640) | 695,113 |
| Capital outlay | - | 388 | 388 | (388) | - |
| Total general government | 3,758,965 | 3,868,993 | 3,121,957 | (110,028) | 747,036 |
| Public safety: | | | | | |
| Personnel services | 4,943,885 | 5,016,885 | 4,639,952 | (73,000) | 376,933 |
| Supplies | 388,411 | 388,411 | 304,956 | - | 83,455 |
| Other services and charges | 773,441 | 839,441 | 695,193 | (66,000) | 144,248 |
| Capital outlay | - | - | 226,330 | - | (226,330) |
| Total public safety | 6,105,737 | 6,244,737 | 5,866,431 | (139,000) | 378,306 |
| Public works: | | | | | |
| Personnel services | 288,795 | 288,795 | 274,307 | - | 14,488 |
| Supplies | 117,000 | 117,000 | 49,817 | - | 67,183 |
| Other services and charges | 368,800 | 328,800 | 192,507 | 40,000 | 136,293 |
| Total public works | 774,595 | 734,595 | 516,631 | 40,000 | 217,964 |
| Culture and recreation | | | | | |
| Personnel services | 541,849 | 536,849 | 490,635 | 5,000 | 46,214 |
| Supplies | 146,700 | 146,700 | 165,081 | - | (18,381) |
| Other services and charges | 135,050 | 165,947 | 103,923 | (30,897) | 62,024 |
| Total culture and recreation | 823,599 | 849,496 | 759,639 | (25,897) | 89,857 |
| Debt service | 177,493 | 177,493 | 177,033 | - | 460 |
| Total Expenditures | 11,640,389 | 11,875,314 | 10,441,691 | (234,925) | 1,433,623 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | (1,709,540) | (1,739,540) | (75,843) | (30,000) | 1,663,697 |

Continued Next Page

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, 2023

| | Budgeted Amounts | | Actual | Variances | |
|--|-------------------------|--------------------|---------------------|------------------|--------------------------------|
| | | | | Budgetary | Favorable (Unfavorable) |
| | Original | Final | | Original | Final |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from leases | 240,000 | 240,000 | 226,330 | - | 13,670 |
| Transfers In | 1,080,000 | 1,080,000 | 1,080,000 | - | - |
| Transfers Out | (882,540) | (852,540) | (801,068) | 30,000 | 51,472 |
| Total Other Financing Sources (Uses) | 437,460 | 467,460 | 505,262 | 30,000 | 65,142 |
| Net Change in Fund Balance - Budget | <u>(1,272,080)</u> | <u>(1,272,080)</u> | 429,419 | <u>-</u> | <u>1,728,839</u> |
| Net Change in fund balance - Budget-Cash Basis | | | \$ 429,419 | | |
| Revenues and Sources per Cash-basis Budget | | 11,672,178 | | | |
| Accrual adjustments | | <u>221,615</u> | 221,615 | | |
| Revenues and Sources per Fund Financial Statements | | <u>11,893,793</u> | | | |
| Expenditures and Uses per Cash-basis Budget | | 11,242,759 | | | |
| Accrual adjustments | | <u>(424,777)</u> | 424,777 | | |
| Expenditures and Uses per Fund Financial Statement | | <u>10,817,982</u> | | | |
| Net Change in fund balance - Fund Financials | | | \$ <u>1,075,811</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, 2023

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 the 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, 2023
(UNAUDITED)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|------------|------------|------------|------------|------------|------------|------------|------------|
| City's proportion of the net pension liability (asset) | 0.079% | 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) | \$ 19,765,417 | 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 | \$ 5,825,356 | 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 | 339.30% | 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 | 55.70% | 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.

City of Gautier, Mississippi
Schedule of the City's Contributions
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2023
(UNAUDITED)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 1,016,778 | 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>1,016,778</u> | <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> | <u> -</u> |
| City's covered payroll | \$ 5,843,552 | 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% | 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, 2023

A. Changes in assumptions

- 2023
 - The investment rate of return assumption was changed from 7.55% to 7.00%.
 - The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
 - Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
 - The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
 - For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
 - The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
 - The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.
- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.
 - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
 - The percentage of active member deaths assumed to be in the line of duty decreased from 6% to 4%.

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2023

A. Changes in assumptions (continued)

- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

City of Gautier, Mississippi
Notes to the Required Supplementary Information – Pension Schedules
For the Fiscal Year Ended September 30, 2023

B. Changes in benefit provisions

➤ 2016

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

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, 2023 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 | 26.7 years |
| Asset valuation method | 5-year smoothed market |
| Price inflation | 2.40 percent |
| Salary increase | 2.65 percent to 17.90 percent, including inflation |
| Investment rate of return | 7.55 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, 2023

| 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 | \$ 2,830,100 | - |
| Sport Fish Restoration | 15.605 | F21AF00274 | 60,290 | - |
| Passed through Jackson County, Mississippi, Board of Supervisors | | | | |
| GOMESA Act | 15.435 | PRJ-000229 | 193,206 | - |
| Total U.S. Department of Interior | | | <u>3,083,596</u> | <u>-</u> |
| U.S. Department of Justice | | | | |
| Passed through Mississippi Department of Public Safety | | | | |
| HIDTA | 16.592 | G22GC003A | 6,897 | - |
| HIDTA | 16.592 | G23GC003A | 4,875 | - |
| FBI Safe Street | 16.592 | 19GCP540Z | 16,196 | - |
| Equitable Sharing Program | 16.922 | MS0300600 | 81,339 | - |
| Total U.S. Department of Justice | | | <u>109,307</u> | <u>-</u> |
| US Department of Transportation | | | | |
| Passed through MS Dept of Transportation | | | | |
| Martin Bluff Road Improvements | 20.205 | 105069-801000 | 431,894 | - |
| Total U.S. Department of Transportation | | | <u>431,894</u> | <u>-</u> |
| US Department of The Treasury | | | | |
| Passed through the US Border Patrol | | | | |
| Equitable Sharing (TEOAF-TFF Overtime) | 21.016 | 423LA004 | 11,963 | - |
| Passed through MS Dept of Finance and Administration | | | | |
| Conoavirus State and Local Recovery Funds | 21.027 | SLRF2621 | 1,190,170 | - |
| Passed through MS Dept of Environmental Quality | | | | |
| Conoavirus State and Local Recovery Funds | 21.027 | 337-1-CW-5.5 | 70,958 | - |
| Passed through MS Dept of Public Safety | | | | |
| Conoavirus State and Local Recovery Funds | 21.027 | IO HB1542.A | 63,000 | - |
| Passed through Jackson County, Mississippi, Board of Supervisors | | | | |
| Conoavirus State and Local Recovery Funds | | PRJ-000342/ 337-1-CW-5.5 | 35,479 | - |
| Total U.S. Department of The Treasury | | | <u>1,371,570</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 4,996,367</u></u> | <u><u>-</u></u> |

City of Gautier, Mississippi
 Notes to the Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2023

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, 2023. 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, 2023:

| 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 | - | 109,094 | 422,610 |
| DWI-H280114-01-02 | 66.458 | - | 248,978 | 740,239 |
| SRF-C280879-02-2 | 66.458 | - | 624,479 | 1,760,448 |
| SRF-C280879-01-3 | 66.458 | - | 147,512 | 1,288,485 |
| DWI-H280092-01-3 | 66.458 | - | 242,163 | 1,344,987 |
| SRF-C280754-01-3 | 66.458 | - | 300,173 | 1,865,320 |
| Total federal loans | | \$ - | \$ 1,672,399 | \$ 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, 2023

| Position | Name | Amount |
|------------------------|----------------------|------------|
| Mayor | Casey Vaughan | \$ 100,000 |
| Councilman | Adam Colledge | 100,000 |
| Councilman | Cameron George | 100,000 |
| Councilman | Richard Jackson | 100,000 |
| Councilman | Gordon Gollott | 100,000 |
| Councilman | Charles Anderson | 100,000 |
| Councilman | Dante Elbin | 100,000 |
| City Manager | Paula Yancey | 50,000 |
| Police Chief | David Bever | 50,000 |
| City Clerk/Comptroller | Teresa Montgomery | 50,000 |
| Asst Comptroller | Tara Tapper | 50,000 |
| Executive Asst | Emily Cumbest | 50,000 |
| Executive Asst | Sherry Farabee | 50,000 |
| Acctg/Personnel Clerk | Lekeisha Hill | 50,000 |
| Acctg/Personnel Clerk | Vacant | 50,000 |
| Administrative Clerk | Lashanda Stringfield | 50,000 |
| Administrative Clerk | Rachel Honea | 50,000 |
| Administrative Clerk | Addie Bang | 50,000 |
| Administrative Clerk | Barbara Logan | 50,000 |
| Administrative Clerk | Terri Gonzalez | 50,000 |
| Administrative Clerk | Vacant | 50,000 |
| Grants/Project Manager | Kimbery Compton | 50,000 |
| Purchasing Clerk | Leoqueita Redrix | 50,000 |
| Director/Bldg Official | Scott Ankerman | 50,000 |
| Court Clerk | Michael Steward | 50,000 |
| Deputy Court Clerk | Bernadette Morrow | 50,000 |
| Deputy Court Clerk | Derika Fuller | 50,000 |
| Records Clerk | Tina Hansen | 50,000 |
| Police | Lee Bond | 25,000 |
| Dispatcher | Jennifer Broderick | 50,000 |
| Dispatcher | Susan Powell | 50,000 |
| Dispatcher | Jasmine Williams | 50,000 |
| Dispatcher | Kianna Henderson | 50,000 |
| Dispatcher | Timothy Werner | 50,000 |
| Dispatcher | Brittany Worth | 50,000 |
| Dispatcher | Chasity Johnston | 50,000 |
| Dispatcher | Traci Webb | 50,000 |
| Dispatcher | Vacant | 50,000 |
| Athletics Manager | Latoya Bolden | 50,000 |
| Park Attendant | Dixie Halovorsen | 50,000 |
| Utility Services | Kim Sheppard | 50,000 |
| Utility Services | Darlene Brown | 50,000 |
| Utility Services | Debra Holmes | 50,000 |
| Utility Services | Melissa Chandler | 50,000 |
| Utility Services | Sirrae Williams | 50,000 |
| Utility Services | Tammy Scarbrough | 50,000 |
| Utility Services | Jurmany Jenkins | 50,000 |

SPECIAL REPORTS

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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

CHARLENE KERKOW, CPA

HANCOCK BANK BUILDING
2510 - 14TH STREET
P.O. BOX 129
GULFPORT, MISSISSIPPI 39502

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

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

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

Honorable Mayor and
City Council 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2024.

Internal Control Over Financial Reporting

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

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

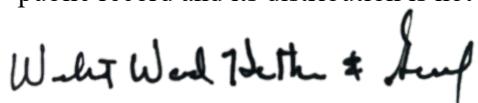
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Wright, Ward, Hatten and Guel

Gulfport, Mississippi

November 5, 2024

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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

CHARLENE KERKOW, CPA

HANCOCK BANK BUILDING
2510 - 14TH STREET
P.O. BOX 129
GULFPORT, MISSISSIPPI 39502

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

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

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, 2023. 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, 2023.

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

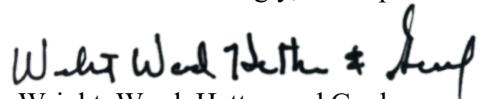
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.



Wright, Ward, Hatten and Guel

Gulfport, Mississippi

November 5, 2024

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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

CHARLENE KERKOW, CPA

HANCOCK BANK BUILDING
2510 - 14TH STREET
P.O. BOX 129
GULFPORT, MISSISSIPPI 39502

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

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

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, 2023, 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 November 05, 2024, 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.

Walt Ward, Hatten & Guel

Gulfport, Mississippi
November 5, 2024

City of Gautier, Mississippi
Schedule of Findings and Questioned Costs
September 30, 2023

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: | |

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 15.435 | U.S. Department of Interior GOMESA Act |
| 21.027 | U.S. Department of Treasury Coronavirus State and Local Recovery Funds |

| | | |
|-----|---|------------|
| 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 was no financial statement findings noted during the fiscal year ended September 30, 2023.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There was no federal award findings noted during the fiscal year ended September 30, 2023.