

**CITY OF DIAMONDHEAD, MISSISSIPPI**

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2024

**CITY OF DIAMONDHEAD, MISSISSIPPI**

**TABLE OF CONTENTS**

**For the Year Ended September 30, 2024**

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|   | <b>Pages</b> |
|---|--------------|
| <b>INTRODUCTORY SECTION</b>   |              |
| Listing of City Officials   | i            |
| <b>FINANCIAL SECTION</b>  |              |
| Independent Auditor's Report  | 1-3          |
| Management's Discussion and Analysis  | 4-10         |
| <b>Basic Financial Statements</b>   |              |
| <i>Government-Wide Financial Statements</i>   |              |
| Statement of Net Position   | 11           |
| Statement of Activities   | 12           |
| <i>Fund Financial Statements</i>  |              |
| Governmental Funds  |              |
| Balance Sheet   | 13           |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position   | 14           |
| Statement of Revenues, Expenditures, and Changes in Fund Balances   | 15           |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances<br>of Governmental Funds to the Statement of Activities   | 16           |
| Notes to the Financial Statements   | 17-36        |
| <b>Required Supplementary Information</b>   |              |
| Budgetary Schedules   |              |
| Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Budget and Actual - Budgetary Basis - General Fund   | 37           |
| Notes to the Budgetary Comparison Schedule  | 38           |
| <b>Supplemental Information</b>   |              |
| Schedule of Expenditures of Federal Awards and Notes  | 39           |
| Schedule of Surety Bonds for City Officials   | 40           |
| <b>SPECIAL REPORTS</b>  |              |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> | 41-42        |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal<br>Control over Compliance Required by the Uniform Guidance   | 43-45        |
| Limited Internal Control and Compliance Review Management Report  | 46           |
| Schedule of Findings and Questioned Costs   | 47           |

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INTRODUCTORY SECTION

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**CITY OFFICIALS**  
**As of September 30, 2024**

## **ELECTED OFFICIALS**

Mayor Nancy Depreto

## Council Members:

|          |                 |
|----------|-----------------|
| At-Large | Gerard Maher    |
| Ward 1   | Shane Finley    |
| Ward 2   | Anna Liese      |
| Ward 3   | John Cumberland |
| Ward 4   | Austin Clark    |

## APPOINTED FINANCIAL OFFICIALS

Regular council meetings are held on the first and third Tuesday of each month at 6 p.m. in the council chambers located in City Hall, 5000 Diamondhead Circle, Diamondhead, MS 39525

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FINANCIAL SECTION

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

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

CHARLENE KERKOW, CPA

HANCOCK BANK BUILDING  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Diamondhead, 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 Diamondhead, Mississippi, as of and for the year ended September 30, 2024, 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 Diamondhead, Mississippi, as of September 30, 2024, 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 Diamondhead, 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 December 16, 2025, on our consideration of the City of Diamondhead, 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 Diamondhead, 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 December 16, 2025, on our consideration of compliance with Mississippi state laws and regulations. The purpose of that report is to describe the scope of our testing with compliance of certain state laws and regulations and the result of that testing, and not to provide an opinion on compliance with certain state laws and regulations. The report is an integral part of an audit performed in accordance with state guidelines in considering the City of Diamondhead Mississippi's compliance with certain state laws and regulations.

*Wright Ward Hatten & Guel*  
Wright, Ward, Hatten & Guel  
Gulfport, Mississippi  
December 16, 2025

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**MANAGEMENT DISCUSSION AND ANALYSIS**

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City of Diamondhead, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2024

This section of the City of Diamondhead, 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, 2024, and 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that follow.

The City of Diamondhead is located on the Mississippi Gulf Coast and is ranked as the 44<sup>th</sup> most populated city in the State of Mississippi. According to the United States Census Bureau, the estimated population of City of Diamondhead as of July 1, 2024, was 9,391. The median household income is \$86,208 with over 94.2% of people 25 years or older holding a high school degree or higher.

### **Government-wide Financial Highlights**

- Total assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources at the close of the current year by approximately \$69,455,178. This amount represents the total net position of the City's governmental activities. This amount increased from last year's net position of \$64,019,390 by \$5,359,126 for current year activities, along with a \$76,662 prior period adjustment.
- General revenues amounted to \$5,738,201 or 47% of total revenues. This amount increased \$381,341 from 2023. Program revenues amounted to \$6,584,732 or 53% of total revenues, an increase of \$3,704,341 from 2023. This increase was mostly due to the increase in grants recognized in 2024 for state grants received for capital improvements.
- Overall expenses for the City decreased \$1,655,960 from the total expenses of \$8,619,587 reported in 2023. This increase is primarily due to costs associated with improvements to infrastructure that were not capitalized.
- Capital asset acquisitions totaled \$10,711,426 while normal straight-line depreciation and amortization of capital assets totaled \$2,267,047.
- The City had \$6,192,606 in major construction in progress at the end of 2024 with a continuing commitment of \$4,950,770 in future years.

### **Major Fund Highlights**

- *General Fund* – This fund is used for the general operations of the City. The General Fund had \$5,553,107 in revenues and \$4,312,206 in expenditures. Transfers to other funds for required grant matching funds totaled \$496,391. The general fund had an overall increase in fund balance of \$963,872, primarily due to a significant decrease in operating expenditures.
- *Contingency Fund* – This fund is used to account for the amounts assigned by the council to be held for future expenditures.
- FY22 Commercial Area/District Transformation Fund is used to account for activities for the Phase II portion of the commercial district transformation.
- *ARPA Fund* – This fund is used to account for receipts and expenditures of the American Rescue Plan Act funds the City received in 2023 and 2021. In 2023, the City opted to claim the "revenue loss" option available to release these federal funds for a majority of the restrictions originally placed. The fund shows at September 30, 2024 a committed fund balance of \$1,535,221.
- *Bond Fund* – This fund is used to account for the proceeds and expenditures of the special obligation bond issued in 2022 for the purpose of capital improvements to the City. The City maintained \$962,962 of these funds at September 30, 2024 for future use.

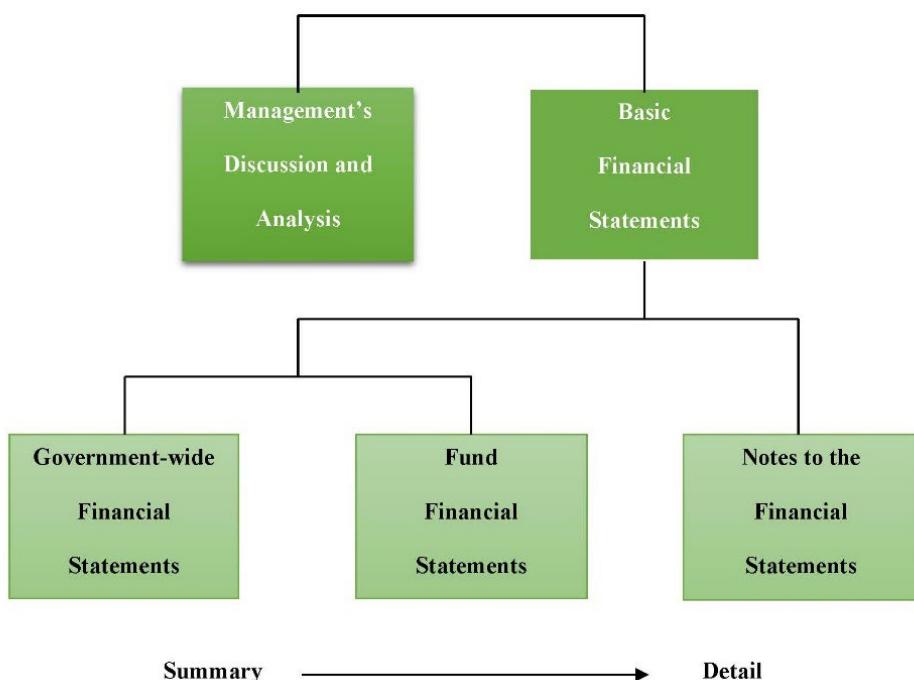
City of Diamondhead, Mississippi  
Management's Discussion and Analysis - Continued  
For the Year Ended September 30, 2024

## USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis are intended to serve as an introduction to City of Diamondhead's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Diamondhead.

### Required Components of Annual Financial Report

**Figure 1**



### Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show the required budgetary information and other relevant information.

**City of Diamondhead, Mississippi  
Management's Discussion and Analysis - Continued  
For the Year Ended September 30, 2024**

## **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 Diamondhead 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.

### ***Government-wide Financial Statements (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 2024 compared to 2023.

| <b>TABLE 1</b><br><b>Condensed Statement of Net Position</b><br><b>September 30, 2024 and 2023</b> |                                |                      |                     |
|--|--------------------------------|----------------------|---------------------|
|  | <b>Governmental Activities</b> |                      |                     |
|  | <b>2024</b>                    | <b>2023</b>          | <b>Change</b>       |
| <b>Assets</b>  |                                |                      |                     |
| Current assets   | \$ 8,956,637                   | \$ 10,198,217        | \$ (1,241,580)      |
| Noncurrent assets  | 3,484,955                      | 4,924,362            | (1,439,407)         |
| Capital assets   | 66,249,155                     | 57,870,385           | 8,378,770           |
| <b>Total Assets</b>  | <b>78,690,747</b>              | <b>72,992,964</b>    | <b>5,697,783</b>    |
| <b>Liabilities</b>   |                                |                      |                     |
| Current liabilities  | 2,071,245                      | 1,427,407            | 643,838             |
| Noncurrent liabilities   | 4,020,247                      | 4,514,053            | (493,806)           |
| <b>Total Liabilities</b>   | <b>6,091,492</b>               | <b>5,941,460</b>     | <b>150,032</b>      |
| <b>Deferred Inflows</b>  | <b>3,144,077</b>               | <b>3,032,114</b>     | <b>111,963</b>      |
| <b>Net Position</b>  |                                |                      |                     |
| Net investment in capital assets   | 61,779,221                     | 56,715,521           | 5,063,700           |
| Restricted net assets  | 2,777,880                      | 5,546,835            | (2,768,955)         |
| Unrestricted   | 4,898,077                      | 1,757,034            | 3,141,043           |
| <b>Total Net Position</b>  | <b>\$ 69,455,178</b>           | <b>\$ 64,019,390</b> | <b>\$ 5,435,788</b> |

**City of Diamondhead, Mississippi  
Management's Discussion and Analysis - Continued  
For the Year Ended September 30, 2024**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

Total net position increased \$5,359,126 from current year activities and \$76,662 from prior year activities as a result primarily due to an increase capital grants received during the year.

Restrictions on net position decreased in the current year due to remaining balances of grant matching funds and bond proceeds specifically for the purpose of capital project commitments at year end in 2023.

Table 2 provides a summary of the City's statement of activities for 2024 compared to 2023.

|   | <b>Governmental Activities</b> |                      |                     |
|---|--------------------------------|----------------------|---------------------|
|   | <b>2024</b>                    | <b>2023</b>          | <b>Change</b>       |
| <b>Revenues:</b>                        |                                |                      |                     |
| Program revenues:                       |                                |                      |                     |
| Charges for services                    | \$ 976,035                     | \$ 963,820           | \$ 12,215           |
| Capital grants and contributions        | 5,608,697                      | 1,916,571            | 3,692,126           |
| General revenues                        |                                |                      |                     |
| Taxes                                   | 4,717,080                      | 4,428,952            | 288,128             |
| Grants and contributions - unrestricted | 376,692                        | 372,236              | 4,456               |
| Investment earnings                     | 427,900                        | 479,064              | (51,164)            |
| Miscellaneous                           | 216,349                        | 76,428               | 139,921             |
| Total revenues                          | <u>12,322,753</u>              | <u>8,237,071</u>     | <u>4,085,682</u>    |
| <b>Expenses:</b>                        |                                |                      |                     |
| General government                      | 1,140,802                      | 1,257,622            | (116,820)           |
| Public safety                           | 1,484,552                      | 1,512,375            | (27,823)            |
| Public works                            | 3,245,016                      | 4,603,031            | (1,358,015)         |
| Culture and recreation                  | -                              | 7,531                | (7,531)             |
| Economic development                    | 111,436                        | 125,508              | (14,072)            |
| Solid waste                             | 784,269                        | 774,297              | 9,972               |
| Interest on long-term debt              | 197,552                        | 339,223              | (141,671)           |
| Total expenses                          | <u>6,963,627</u>               | <u>8,619,587</u>     | <u>(1,655,960)</u>  |
| Changes in net position                 | 5,359,126                      | (382,516)            | 5,741,642           |
| Net Position - beginning, restated      | <u>64,096,052</u>              | <u>64,401,906</u>    | <u>(305,854)</u>    |
| Net Position - ending                   | <u>\$ 69,455,178</u>           | <u>\$ 64,019,390</u> | <u>\$ 5,435,788</u> |

Capital grant income increased significantly in 2024 due to significant grant funded construction during the year.

The city reduced overall operating costs throughout the year that allowed for a decrease in overall expenditures of \$1,655,960.

As a result of these steps, the City's change in net position for the year from current year activities was \$5,359,126. The overall change with includes a prior period adjustment of \$76,662 was \$5,435,788 or approximately 8%.

City of Diamondhead, Mississippi  
 Management's Discussion and Analysis - Continued  
 For the Year Ended September 30, 2024

## 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 Diamondhead, the City's major fund is the General fund.

#### **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, cultural and recreation and economic development 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 2024 compared to 2023.

**TABLE 3**  
**Condensed Sources, Uses and Changes in Fund Balance - General Fund**  
**For the year ended September 30, 2024 and 2023**

|                                 | <b>2024</b>      | <b>2023</b>        | <b>Increase<br/>(Decrease)</b> | <b>Percent</b> |
|---------------------------------|------------------|--------------------|--------------------------------|----------------|
| <b>Sources:</b>                 |                  |                    |                                |                |
| <i>Revenues:</i>                |                  |                    |                                |                |
| Property taxes                  | \$ 3,212,372     | \$ 3,005,432       | \$ 206,940.0                   | 7%             |
| General sales taxes             | 935,820          | 1,012,895          | (77,075)                       | -8%            |
| Franchise taxes                 | 299,354          | 296,270            | 3,084                          | 1%             |
| Road and bridge taxes           | 269,534          | 114,355            | 155,179                        | 136%           |
| Licenses, commissions and other | 147,708          | 202,824            | (55,116)                       | -27%           |
| Fines and forfeitures           | 37,613           | 22,869             | 14,744                         | 64%            |
| Intergovernmental               | 436,199          | 639,883            | (203,684)                      | -32%           |
| Interest                        | 104,534          | 202,017            | (97,483)                       | -48%           |
| Other                           | 109,973          | 79,625             | 30,348                         | 38%            |
| <i>Other Sources:</i>           |                  |                    |                                |                |
| Transfers in                    | 42,962           | -                  | 42,962                         |                |
| Sale/Donation of assets         | 176,400          | -                  | 176,400                        |                |
| Total sources                   | <u>5,772,469</u> | <u>5,576,170</u>   | <u>196,299</u>                 | 4%             |
| <b>Uses:</b>                    |                  |                    |                                |                |
| <i>Expenditures:</i>            |                  |                    |                                |                |
| General government              | 1,067,077        | 1,149,971          | (82,894)                       | -7%            |
| Public safety                   | 1,423,246        | 1,462,168          | (38,922)                       | -3%            |
| Public works                    | 1,134,621        | 1,599,405          | (464,784)                      | -29%           |
| Economic development            | 96,483           | 112,061            | (15,578)                       | -14%           |
| Capital outlay                  | 410,530          | 607,232            | (196,702)                      | -32%           |
| Debt service                    | 180,249          | 172,785            | 7,464                          | 4%             |
| <i>Other Uses:</i>              |                  |                    |                                |                |
| Transfers out                   | 496,391          | 1,622,848          | (1,126,457)                    | -69%           |
| Total uses                      | <u>4,808,597</u> | <u>6,726,470</u>   | <u>(1,917,873)</u>             | -29%           |
| Change in Fund Balance          | <u>963,872</u>   | <u>(1,150,300)</u> | <u>2,114,172</u>               | -184%          |

**City of Diamondhead, Mississippi  
Management's Discussion and Analysis - Continued  
For the Year Ended September 30, 2024**

## **General Fund Budgeting Highlights**

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

State law does not allow budget changes that modify functional levels of budget amounts within a department without council approval. With the General Fund supporting many of our major activities, such as our police and public works 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 3 shows the Changes in Capital Assets for the years ended September 30, 2024, and 2023.

|                          | <b>2024</b>          | <b>2023</b>       | <b>Change</b>    |
|--------------------------|----------------------|-------------------|------------------|
| Land                     | \$ 8,894,258         | 8,861,758         | 32,500           |
| Construction in progress | 6,192,606            | 2,078,391         | 4,114,215        |
| Infrastructure           | 48,352,654           | 44,054,353        | 4,298,301        |
| Buildings & improvements | 1,890,149            | 1,886,096         | 4,053            |
| Improvements - other     | 665                  | 665               | -                |
| Mobile equipment         | 788,787              | 905,440           | (116,653)        |
| Furniture and equipment  | 130,036              | 83,682            | 46,354           |
| <b>Total</b>             | <b>\$ 66,249,155</b> | <b>57,870,385</b> | <b>8,378,770</b> |

Capital asset acquisitions totaled \$10,711,426 while normal straight-line depreciation and amortization of capital assets totaled \$2,267,047. Much of the total asset acquisitions were from approximately \$6,336,523 major infrastructure improvements being completed during the year. At present, the City has approximately \$6,192,606 infrastructure projects in progress with remaining commitments of \$4,950,770 in future years for completion.

## **General Long-term Obligations**

At September 30, 2024, the City had \$4,476,294 outstanding debt obligations, along with \$46,275 in compensated absences payable.

|                                       | <b>2024</b>         | <b>2023</b>         | <b>Change</b>       |
|---------------------------------------|---------------------|---------------------|---------------------|
| Special Obligation Bonds, Series 2022 | \$ 3,845,000        | \$ 4,145,000        | \$ (300,000)        |
| Equipment Installment Loans           | 631,294             | 790,538             | (159,244)           |
| Compensated absences                  | 46,274              | 59,894              | (13,620)            |
| <b>Total</b>                          | <b>\$ 4,522,568</b> | <b>\$ 4,995,432</b> | <b>\$ (472,864)</b> |

**City of Diamondhead, Mississippi  
Management's Discussion and Analysis - Continued  
For the Year Ended September 30, 2024**

## **Economic Factors**

The City of Diamondhead continues to project a mostly positive outlook in terms of its economic environment. Unlike much of the coastal Mississippi, Diamondhead has a diverse topography that ranges from sea level plains to rolling hills at nearly 90 feet above sea level. Citizens of Diamondhead enjoy a small town feel while being relatively close to the larger metropolitan area of the Gulf Coast.

Diamondhead's unemployment rate in 2024 was 2.5%, a decrease of 1.3% from 3.8% reported in 2023. The State of Mississippi's unemployment rate in December 2024 was approximately 3.2%. Diamondhead is uniquely located as to attract young professionals employed at Stennis Space Center and other regional employment hubs.

Since its incorporation in 2012, Diamondhead leaders have worked to improve city services and infrastructure. Future plans for Diamondhead include:

- Current projects total approximately \$2.78 million for waterfront amenity projects funding in part by various grants.
- Current projects total approximately \$7.2 million for drainage projects throughout the city funded in part by various grants.
- Current projects total approximately \$5.2 million for a riverfront boardwalk and canal dredging funded in part by the RESTORE Act.
- Gulf Coast Restoration funds in the amount of \$9.2 million will be used for the Commercial District Restoration Project.
- The State of Mississippi's relatively new Infrastructure Modernization Act has brought in approximately \$565,960 that the City can utilize for drainage and road improvements.

While Diamondhead continues to make strides in terms of its economic growth, it still faces some challenges as a municipal government. Its current economic growth comes after years of devastation left by Hurricane Katrina, the economic recession in 2008, numerous hurricanes and tropical storms, and COVID-19's financial impact.

Personnel costs continue to rise due to cost of living increases and the City trying to be more competitive in order to keep and attain talented and qualified employees. Although there is slow growth in property tax and sales tax revenues the City has ample room for expansion of new businesses and predicts an uptake in growth in the next few years with the completion of the Commercial District Restoration Project.

## **Contact the City's Financial Management**

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

Jon McCraw, City Manager  
City of Diamondhead, Mississippi  
5000 Diamondhead Circle  
Diamondhead, MS 39525  
(228) 222-4626 ext. 1802

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BASIC FINANCIAL STATEMENTS

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**City of Diamondhead, Mississippi**

Statement of Net Position

September 30, 2024

|   |                      |
|---|----------------------|
| Assets  |                      |
| Current assets  |                      |
| Cash  | \$ 3,613,269         |
| Property taxes receivable                                   | 3,266,801            |
| Franchise tax receivable                                    | 85,764               |
| Intergovernmental receivables                               | 1,865,596            |
| Fines and forfeitures (net of allowance)                    | 10,030               |
| Prepaid items   | 69,589               |
| Inventory   | 45,588               |
| Total Current Assets  | <u>8,956,637</u>     |
| Noncurrent Assets   |                      |
| Cash  | 3,484,955            |
| Capital assets:   |                      |
| Nondepreciable capital assets                               | 15,086,864           |
| Depreciable capital assets, net of accumulated depreciation | <u>51,162,291</u>    |
| Total Noncurrent Assets                                     | <u>69,734,110</u>    |
| Total Assets  | <u>78,690,747</u>    |
| Liabilities   |                      |
| Current liabilities:  |                      |
| Claims payable  | 1,237,223            |
| Wages payable   | 72,162               |
| Accrued interest payable                                    | 33,157               |
| Retainage payable   | 210,275              |
| Unearned revenue  | 16,107               |
| Debt due within one year                                    |                      |
| Capital debt  | 478,949              |
| Noncapital debt   | <u>23,372</u>        |
| Total current liabilities                                   | <u>2,071,245</u>     |
| Noncurrent Liabilities:                                     |                      |
| Debt due in more than one year                              |                      |
| Capital debt  | 3,997,345            |
| Noncapital debt   | <u>22,902</u>        |
| Total noncurrent liabilities                                | <u>4,020,247</u>     |
| Total Liabilities   | <u>6,091,492</u>     |
| Deferred Inflows of Resources                               |                      |
| Property tax for future reporting period                    | <u>3,144,077</u>     |
| Total Deferred Inflows of Resources                         | <u>3,144,077</u>     |
| Net Position  |                      |
| Net investment in capital assets                            | 61,779,221           |
| Restricted for:   |                      |
| Grant/bond purposes   | 2,777,880            |
| Unrestricted  | <u>4,898,077</u>     |
| Total Net Position  | <u>\$ 69,455,178</u> |

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

**City of Diamondhead, Mississippi**  
 Statement of Activities  
 For the Year Ended September 30, 2024

| Functions/Programs                      | Expenses            | Charges for Services | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---------------------|----------------------|----------------------------------|---|
|   |                     |                      |                                  | Governmental Activities                           |
| <b>Governmental Activities:</b>         |                     |                      |                                  |   |
| General government                      | \$ 1,140,802        | 190,028              | -                                | \$ (950,774)                                      |
| Public safety                           | 1,484,552           | -                    | -                                | (1,484,552)                                       |
| Public works                            | 3,245,016           | -                    | 1,522,955                        | (1,722,061)                                       |
| Conservation of natural resources       |                     | -                    | 1,568,628                        | 1,568,628   |
| Economic development                    | 111,436             | -                    | 2,517,114                        | 2,405,678   |
| Solid waste                             | 784,269             | 786,007              | -                                | 1,738   |
| Interest on long-term debt              | 197,552             | -                    | -                                | (197,552)   |
| <b>Total</b>                            | <b>\$ 6,963,627</b> | <b>976,035</b>       | <b>5,608,697</b>                 | <b>(378,895)</b>                                  |
| <b>General Revenues:</b>                |                     |                      |                                  |   |
| Taxes:                                  |                     |                      |                                  |   |
| Property taxes, general                 |                     |                      |                                  | 3,212,372   |
| General sales taxes                     |                     |                      |                                  | 935,820   |
| Franchise taxes                         |                     |                      |                                  | 299,354   |
| Road and bridge privilege taxes         |                     |                      |                                  | 269,534   |
| Grants and contributions not restricted |                     |                      |                                  | 376,692   |
| Unrestricted investment earnings        |                     |                      |                                  | 427,900   |
| Miscellaneous                           |                     |                      |                                  | 216,349   |
| <b>Total general revenues</b>           |                     |                      |                                  | <b>5,738,021</b>                                  |
| Changes in net position                 |                     |                      |                                  |   |
| Net position - beginning                |                     |                      |                                  | 64,096,052  |
| Net position - ending                   |                     |                      |                                  | <b>\$ 69,455,178</b>                              |

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

**City of Diamondhead, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2024**

|   | Major Funds         |                     |                          |                     |                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|--------------------------|---------------------|-------------------|--------------------------------|--------------------------------|
|   | General<br>Fund     | Contingency<br>Fund | 22 Comm District<br>Fund | ARPA<br>Fund        | Bond<br>Fund      |                                |                                |
| <b>ASSETS</b>   |                     |                     |                          |                     |                   |                                |                                |
| Cash  | \$ 1,107,473        | \$ 107,800          | \$ -                     | \$ 1,859,819        | \$ -              | \$ 538,177                     | \$ 3,613,269                   |
| Receivables   |                     |                     |                          |                     |                   |                                |                                |
| Property tax  | 3,266,801           | -                   | -                        | -                   | -                 | -                              | 3,266,801                      |
| Franchise taxes   | 85,764              | -                   | -                        | -                   | -                 | -                              | 85,764                         |
| Intergovernmental   | 143,267             | -                   | 736,058                  | -                   | -                 | 986,271                        | 1,865,596                      |
| Due from other funds  | 1,107,276           | -                   | -                        | -                   | -                 | -                              | 1,107,276                      |
| Fines and foefitures (net of allowance)                                   | 10,030              | -                   | -                        | -                   | -                 | -                              | 10,030                         |
| Restricted cash   | -                   | 2,000,000           | -                        | -                   | 962,962           | 521,993                        | 3,484,955                      |
| Prepaid items and inventory   | 115,177             | -                   | -                        | -                   | -                 | -                              | 115,177                        |
| <b>Total Assets</b>   | <b>5,835,788</b>    | <b>2,107,800</b>    | <b>736,058</b>           | <b>1,859,819</b>    | <b>962,962</b>    | <b>2,046,441</b>               | <b>13,548,868</b>              |
| <b>LIABILITIES</b>  |                     |                     |                          |                     |                   |                                |                                |
| Claims and retainage payable  | 141,550             | -                   | 457,653                  | 324,598             | 13,744            | 509,953                        | 1,447,498                      |
| Wages payable   | 72,162              | -                   | -                        | -                   | -                 | -                              | 72,162                         |
| Due to other funds  | -                   | -                   | 406,885                  | -                   | -                 | 700,391                        | 1,107,276                      |
| Compensated absences - current  | 23,372              | -                   | -                        | -                   | -                 | -                              | 23,372                         |
| Unearned revenue  | 16,107              | -                   | -                        | -                   | -                 | -                              | 16,107                         |
| <b>Total Liabilities</b>  | <b>253,191</b>      | <b>-</b>            | <b>864,538</b>           | <b>324,598</b>      | <b>13,744</b>     | <b>1,210,344</b>               | <b>2,666,415</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                     |                          |                     |                   |                                |                                |
| Property taxes for future reporting period                                | 3,144,077           | -                   | -                        | -                   | -                 | -                              | 3,144,077                      |
| Unavailable revenue - fines and grants                                    | 10,030              | -                   | -                        | -                   | -                 | -                              | 10,030                         |
| <b>Total Deferred Inflows of Resources</b>                                | <b>3,154,107</b>    | <b>-</b>            | <b>-</b>                 | <b>-</b>            | <b>-</b>          | <b>-</b>                       | <b>3,154,107</b>               |
| <b>FUND BALANCES</b>  |                     |                     |                          |                     |                   |                                |                                |
| Nonspendable  | 115,177             | -                   | -                        | -                   | -                 | -                              | 115,177                        |
| Committed:  |                     |                     |                          |                     |                   |                                |                                |
| Capital projects  | -                   | -                   | -                        | 1,535,221           | 949,218           | 836,097                        | 3,320,536                      |
| Assigned:   |                     |                     |                          |                     |                   |                                |                                |
| Budget contingencies  | -                   | 2,000,000           | -                        | -                   | -                 | -                              | 2,000,000                      |
| Unassigned  | 2,313,313           | 107,800             | (128,480)                | -                   | -                 | -                              | 2,292,633                      |
| <b>Total Fund Balances</b>  | <b>2,428,490</b>    | <b>2,107,800</b>    | <b>(128,480)</b>         | <b>1,535,221</b>    | <b>949,218</b>    | <b>836,097</b>                 | <b>7,728,346</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 5,835,788</b> | <b>\$ 2,107,800</b> | <b>\$ 736,058</b>        | <b>\$ 1,859,819</b> | <b>\$ 962,962</b> | <b>\$ 2,046,441</b>            | <b>\$ 13,548,868</b>           |

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

**City of Diamondhead, Mississippi**  
 Reconciliation of Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 September 30, 2024

**Total governmental funds balance** \$ 7,728,346

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    | \$ 94,502,622       |            |
| Less: accumulated depreciation | <u>(28,253,467)</u> | 66,249,155 |

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

|                        |        |  |
|------------------------|--------|--|
| Court fines receivable | 10,030 |  |
|------------------------|--------|--|

|  |          |  |
|--|----------|--|
| Accrued interest not due and payable in the current period expenditures and, therefore, not reported in the funds. | (33,157) |  |
|--|----------|--|

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

|                                |                           |                           |
|--------------------------------|---------------------------|---------------------------|
| Bond payable                   | (3,845,000)               |                           |
| Capital leases payable         | <u>(631,294)</u>          | (631,294)                 |
| Compensated absences-long-term | <u>(22,902)</u>           | (22,902)                  |
|                                | <u><u>(4,499,196)</u></u> | <u><u>(4,499,196)</u></u> |

**Net position of governmental activities** \$ 69,455,178

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance – Governmental Funds**  
**For the Fiscal Year Ended September 30, 2024**

|   | Major Funds         |                     |                          |                     |                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|--------------------------|---------------------|-------------------|--------------------------------|--------------------------------|
|   | General<br>Fund     | Contingency<br>Fund | 22 Comm District<br>Fund | ARPA<br>Fund        | Bond<br>Fund      |                                |                                |
| <b>REVENUES</b>                             |                     |                     |                          |                     |                   |                                |                                |
| Property taxes                              | \$ 3,212,372        | \$ -                | \$ -                     | \$ -                | \$ -              | \$ -                           | \$ 3,212,372                   |
| Franchise fees                              | 299,354             | -                   | -                        | -                   | -                 | -                              | 299,354                        |
| Road and bridge taxes                       | 269,534             | -                   | -                        | -                   | -                 | -                              | 269,534                        |
| Fines and forfeitures (net of allowance)    | 37,613              | -                   | -                        | -                   | -                 | -                              | 37,613                         |
| Licenses and permit fees                    | 147,708             | -                   | -                        | -                   | -                 | -                              | 147,708                        |
| Intergovernmental                           | 1,372,019           | -                   | 1,281,185                | -                   | -                 | 4,268,005                      | 6,921,209                      |
| Charges for services                        | 4,413               | -                   | -                        | -                   | -                 | 786,007                        | 790,420                        |
| Interest earned                             | 104,534             | 107,800             | -                        | 103,032             | 90,334            | 22,200                         | 427,900                        |
| Miscellaneous                               | 105,560             | -                   | -                        | -                   | -                 | -                              | 105,560                        |
| <b>Total Revenues</b>                       | <b>5,553,107</b>    | <b>107,800</b>      | <b>1,281,185</b>         | <b>103,032</b>      | <b>90,334</b>     | <b>5,076,212</b>               | <b>12,211,670</b>              |
| <b>EXPENDITURES</b>                         |                     |                     |                          |                     |                   |                                |                                |
| General government                          | 1,067,077           | -                   | -                        | -                   | -                 | 633                            | 1,067,710                      |
| Public safety                               | 1,423,246           | -                   | -                        | -                   | -                 | -                              | 1,423,246                      |
| Public works                                | 1,134,621           | -                   | -                        | -                   | -                 | 2,500                          | 1,137,121                      |
| Economic development                        | 96,483              | -                   | -                        | -                   | -                 | -                              | 96,483                         |
| Solid waste                                 | -                   | -                   | -                        | -                   | -                 | 784,269                        | 784,269                        |
| Capital outlay                              | 410,530             | -                   | 1,786,225                | 865,633             | 3,466,592         | 4,182,446                      | 10,711,426                     |
| Debt service:                               |                     |                     |                          |                     |                   |                                |                                |
| Principal                                   | 159,244             | -                   | -                        | -                   | -                 | 300,000                        | 459,244                        |
| Interest expense and bond issuance costs    | 21,005              | -                   | -                        | -                   | -                 | 180,102                        | 201,107                        |
| <b>Total Expenditures</b>                   | <b>4,312,206</b>    | <b>-</b>            | <b>1,786,225</b>         | <b>865,633</b>      | <b>3,466,592</b>  | <b>5,449,950</b>               | <b>15,880,606</b>              |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                     |                          |                     |                   |                                |                                |
| Proceeds from sale of capital assets        | 176,400             | -                   | -                        | -                   | -                 | -                              | 176,400                        |
| Transfers in                                | 42,962              | -                   | -                        | 250,000             | -                 | 269,594                        | 562,556                        |
| Transfers out                               | (496,391)           | -                   | -                        | -                   | -                 | (66,165)                       | (562,556)                      |
| <b>Total Other Financing Sources (Uses)</b> | <b>(277,029)</b>    | <b>-</b>            | <b>-</b>                 | <b>250,000</b>      | <b>-</b>          | <b>203,429</b>                 | <b>176,400</b>                 |
| Net change in fund balances                 | 963,872             | 107,800             | (505,040)                | (512,601)           | (3,376,258)       | (170,309)                      | (3,492,536)                    |
| Fund balances - beginning, restated         | 1,464,618           | 2,000,000           | 376,560                  | 2,047,822           | 4,325,476         | 1,006,406                      | 11,220,882                     |
| <b>FUND BALANCES - ENDING</b>               | <b>\$ 2,428,490</b> | <b>\$ 2,107,800</b> | <b>\$ (128,480)</b>      | <b>\$ 1,535,221</b> | <b>\$ 949,218</b> | <b>\$ 836,097</b>              | <b>\$ 7,728,346</b>            |

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

**City of Diamondhead, 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, 2024

**Net Change in Fund Balances - total governmental funds** \$ (3,492,536)

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

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

|                |                    |           |
|----------------|--------------------|-----------|
| Capital outlay | \$10,711,426       |           |
| Depreciation   | <u>(2,267,047)</u> | 8,444,379 |

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold.

(65,609)

The issuance of long-term debt provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

|                 |         |  |
|-----------------|---------|--|
| Debt retirement | 459,244 |  |
|-----------------|---------|--|

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized when levied and earned.

292

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

3,555

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.

|                      |              |  |
|----------------------|--------------|--|
| Compensated absences | <u>9,801</u> |  |
|----------------------|--------------|--|

**Change in net position of governmental activities** \$ 5,359,126

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NOTES TO THE FINANCIAL STATEMENTS

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## **City of Diamondhead, Mississippi**

Notes to the Financial Statements

September 30, 2024

### **Note 1 - Summary of Significant Accounting Policies**

The City of Diamondhead, Mississippi, (the "City") was incorporated January 20, 2012 under the laws of the State of Mississippi. The City operates under a council-manager form of government as provided by its charter. The Mayor and five City Council members are elected and serve four-year terms. The City Council directly appoints officers (City Attorney, City Clerk, City Manager, and Presiding Judge) who have full responsibility for carrying out City Council policies and administering day-to-day City operations.

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."

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. The following are excluded from the reporting entity:

Diamondhead Fire Protection District  
Diamondhead Water and Sewer District

These potential component units have separate elected and/or appointed boards. These are excluded from the reporting entity because the City does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

#### **B. Basis of Presentation.**

The City's basic financial statements 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 Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **B. Basis of Presentation (continued)**

###### *Government-wide Financial Statements:*

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

Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental 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. Funds are organized into governmental, proprietary and fiduciary. The City does not have any proprietary or fiduciary funds. Major individual Governmental 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 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.

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.

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **C. Measurement Focus and Basis of Accounting (continued)**

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.

#### **MAJOR FUNDS**

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.

Contingency Fund – This fund accounts monies set aside by council proclamation to be used to deposit funds to be used for future necessary expenditures as deemed necessary by the governing body.

22 Commercial Area/District Transformation Fund – This fund is used to account for activities for the Phase II portion of the commercial district transformation.

ARPA Fund – This is used to account for financial resources received from the American Rescue Plan Act funds. This fund tracks the city's portion of the ARPA funds used in cooperation with the County and State funds for major capital projects.

Bond Fund – This fund is used to account for the proceeds and expenditures of the special obligations bonds issued in 2024 for the purpose of capital improvements to the City.

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.

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.

##### **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.

## **City of Diamondhead, Mississippi**

Notes to the Financial Statements

September 30, 2024

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

#### **E. 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.

#### **F. City Financial Policies for Significant Accounts**

##### **1. Deposits and Investments**

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

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

##### **2. Receivables**

Receivables are shown net of an allowance for uncollectible accounts, where applicable. Miss. Code Ann. (1972) does not allow for write-off of debt owed to municipalities. The estimated uncollectible allowance amount is based on the aging of receivables, historical collection experience, and other relevant circumstances.

##### **3. Inventory and Prepaid Items**

Inventories are valued at cost, which approximates market, using the first-in/first-out method.

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.

##### **4. 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.

## City of Diamondhead, Mississippi

### Notes to the Financial Statements

September 30, 2024

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

##### F. City Financial Policies for Significant Accounts (continued)

###### 4. Capital Assets (continued)

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 |
|-----------------------------------|--------------------------|-----------------------|
| Land                              | \$ -                     | N/A                   |
| Infrastructure                    | -                        | 20 - 50 years         |
| Buildings                         | 10,000                   | 40 Years              |
| Improvements other than buildings | 50,000                   | 20 years              |
| Mobile equipment                  | 1,000                    | 5-10 years            |
| Furniture and equipment           | 1,000                    | 5-10 years            |

###### 5. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

###### *Lessee*

Capital Assets and Right to Use Lease Assets Capital Assets and Right to Use Lease Assets purchased or acquired with an original cost as set in the Capital Assets capitalization policy 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.

###### *Lessor*

Leases receivables with an initial, individual value of \$10,000 or more are recognized as follows: 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. 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.

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **F. City Financial Policies for Significant Accounts (continued)**

###### **5. Leases (continued)**

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 lease receivables are reported with current assets on the Statement of Net Position.

###### **6. Subscription-Based Information Technology Arrangements.**

The Governmental Accounts Standards Board (GASB) issued Statement No.96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) 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. GASB 96 was implemented during fiscal year 2023. For the year ended September 30, 2024, the city did not have any material SBITAs to report.

###### **7. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Noncurrent portions of inter-fund receivables and payables are reported as "advances to/from other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

###### **8. 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.

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.

*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.

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **F. City Financial Policies for Significant Accounts (continued)**

###### **8. Deferred Outflows/Inflows of Resources (continued)**

*Unavailable revenue – fines and grants* – 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.

###### **9. 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 long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

###### **10. 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. As such, no provision for unused sick leave has been provided in the financial statements.

The City accrues unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. In governmental fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured.

###### **11. Post Employment Benefits Other than Pensions**

###### *Deferred Compensation Plan*

The City, as administered through the MS Deferred Compensation Plan, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 and enacted by the Mississippi State Legislature. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

###### **12. 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:

## City of Diamondhead, Mississippi

Notes to the Financial Statements

September 30, 2024

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

#### F. City Financial Policies for Significant Accounts (continued)

##### 12. Fund Balance Policies (continued)

*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 Council.

*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.

##### 13. Net Position

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

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

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

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

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **F. City Financial Policies for Significant Accounts (continued)**

###### **14. 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.

###### **15. Property Tax Revenues**

Hancock County bills and collects the real, personal, and auto ad valorem taxes for the City for a commission of 2% of gross collections not to exceed \$40,000 per year.

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.

##### **G. Reporting Changes and New Accounting Pronouncements for Future Implementation**

###### *Reporting Changes*

GASB 100, Accounting Changes and Error Corrections, was implemented during the 2024 fiscal year. This Statement is an amendment of GASB Statement 62, Codification of Accounting and Financial Reporting Guidance. The purpose of the standard is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

## City of Diamondhead, Mississippi

### Notes to the Financial Statements

September 30, 2024

### Note 2 – Adjustments and Restatements of Beginning Balances

#### Correction of an Error in Previously Issued Financial Statements

In fiscal year ended September 30, 2023, an error in reporting wages payable through a cash adjustment was recorded. It was determined that in the current fiscal year, this amount should have closed into fund balance/net position in the 2023 fiscal year.

A summary of beginning net position and fund balance adjustment is as follows:

| Reporting Units Affected by Adjustments<br>and Restatements of Beginning Balances |                 |                            |
|---|-----------------|----------------------------|
| Funds   | Government-Wide |                            |
|   | General<br>Fund | Governmental<br>Activities |
| 09/30/2023 as previously reported   | \$ 1,387,809    | 64,019,390                 |
| Correction of error:  |                 |                            |
| Cash adjustment in error  | 76,809          | 76,809                     |
| Immaterial out of balance adjustment  |                 | (147)                      |
| 09/30/2023 as adjusted or restated  | \$ 1,464,618    | 64,096,052                 |

### Note 3 – Stewardship, Compliance and Accountability

#### A. Budgetary Data

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

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

#### B. Budgetary – GAAP Reporting Reconciliations

Annual budgets are adopted for the major and non-major governmental funds. Budgetary comparisons, presented in the required supplementary information section of this report, are on the budgetary basis. Certain adjustments are necessary to compare actual data on a GAAP versus budget basis. These reconciling adjustments can be found in the notes to the required supplementary information.

## City of Diamondhead, Mississippi

### Notes to the Financial Statements

September 30, 2024

#### **Note 4 – Cash**

A summary of cash at September 30, 2024 is as follows:

|                            | <u>Unrestricted</u> | <u>Restricted and Non-Current</u> | <u>Total</u>     |
|----------------------------|---------------------|-----------------------------------|------------------|
| <b>Governmental funds:</b> |                     |                                   |                  |
| General Fund               | \$ 1,107,473        | -                                 | 1,107,473        |
| Contingency Fund           | 107,800             | 2,000,000                         | 2,107,800        |
| ARPA Fund                  | 1,859,819           | -                                 | 1,859,819        |
| Bond Fund                  | -                   | 962,962                           | 962,962          |
| Other governmental funds   | 538,177             | 521,993                           | 1,060,170        |
| <b>Total cash</b>          | <b>\$ 3,613,269</b> | <b>3,484,955</b>                  | <b>7,098,224</b> |

The carrying amount of the city's total deposits with financial institutions at September 30, 2024, was \$7,097,199 with \$1,025 petty cash/change drawers on hand. The bank balance was \$7,475,920. Of this amount \$1,484,955 is restricted for grant and bond purposes and \$2,000,000 is in a contingency fund for future budget purposes as established by the council.

*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 City follows state statutes that allow public entities to select depositories on the basis of competitive bid. Depositories must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by §27-105-5 of the Mississippi Code of 1972, Annotated. Under this program, the City'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 recovered by the FDIC.

#### **Note 5 – Receivables**

Receivables in the governmental activities at September 30, 2024, consisted of the following:

|  |                     |  |
|--|---------------------|--|
| Taxes receivable:                            |                     |  |
| Property taxes                               |                     |  |
| Property taxes - current period              | \$ 122,724          |  |
| Property taxes - for future reporting period | 3,144,077           |  |
| Franchise taxes                              | 85,764              |  |
| Total taxes receivable                       | <u>3,352,565</u>    |  |
| Intergovernmental receivable:                |                     |  |
| Sales taxes                                  | 140,792             |  |
| Shared revenue                               | 2,475               |  |
| Grants                                       | 1,722,329           |  |
| Total intergovernmental receivable           | <u>1,865,596</u>    |  |
| Fines and forfeitures receivable:            |                     |  |
| Court fines receivable                       | 334,327             |  |
| Less: allowance for uncollectibles           | (324,297)           |  |
| Total fines and forfeitures receivable, net  | <u>10,030</u>       |  |
| Total receivables                            | <u>\$ 5,228,191</u> |  |

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

#### **Note 6 – Interfund Transactions and Balances**

##### **A. Interfund Loans**

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 the following funds. These loans are generally temporary and the fund reimburses the general fund once the City receives grant reimbursements from federal/state granting agencies.

| Receivable Fund | Payable Fund   | Amount              |
|-----------------|--|---------------------|
| General Fund    | Tidelands FY24 Trail/Marine Ed Planning Fund         | \$ 2,570            |
| General Fund    | Tidelands FY21-24 Noma Dr Public Access Fund         | 41,295              |
| General Fund    | GCRF-MDA FY21 Commerical District Fund               | 406,885             |
| General Fund    | GOMESA FY22 Coon Branch Fund                         | 10,496              |
| General Fund    | RESTORE MDEQ Jordan River Boardwalk Fund             | 8,969               |
| General Fund    | MS Outdoor FY22 MOST Noma Drive Improvements Fund    | 250,000             |
| General Fund    | Hancock County Match Bank Stabilization - ARPA       | 76,650              |
| General Fund    | State of Mississippi Match Bank Stabilizatoin - ARPA | 310,411             |
|                 |  | <u>\$ 1,107,276</u> |

##### **B. Operating Transfers**

| Transfer in                                  | Transfer out                      | Amount            |
|--|-----------------------------------|-------------------|
| General Fund                                 | Commerical District Phase I Fund  | \$ 42,962         |
| MDOT West Aloha Street Improvement Fund      | General Fund                      | 200,000           |
| GRPC-East Aloha Improvements - Phase II Fund | General Fund                      | 37,223            |
| GRPC-East Aloha Improvements - Phase II Fund | GCRF MDA Commercial District FY22 | 23,203            |
| GOMESA Marsh Erosion Prevention Fund         | General Fund                      | 8,168             |
| Twin Lakes Pier/Boardwalk                    | General Fund                      | 1,000             |
| ARPA Fund                                    | General Fund                      | 250,000           |
|  |                                   | <u>\$ 562,556</u> |

Transfers are the City's matching portion to grants for various capital projects and to close out completed capital project funds.

**City of Diamondhead, Mississippi**

Notes to the Financial Statements

September 30, 2024

**Note 7 – Capital assets**

The following is a summary of governmental capital assets activity for the year ended September 30, 2024:

|                                       | Balance<br>10/1/2023 | Additions          | Adjustments/<br>Sales | Balance<br>9/30/2024 |
|---------------------------------------|----------------------|--------------------|-----------------------|----------------------|
| Capital assets not being depreciated: |                      |                    |                       |                      |
| Land                                  | \$ 8,861,758         | 32,500             | -                     | 8,894,258            |
| Construction in progress              | 2,078,391            | 10,450,738         | (6,336,523)           | 6,192,606            |
| Total                                 | <u>10,940,149</u>    | <u>10,483,238</u>  | <u>(6,336,523)</u>    | <u>15,086,864</u>    |
| Capital assets being depreciated:     |                      |                    |                       |                      |
| Infrastructure                        | 68,243,915           | -                  | 6,362,013             | 74,605,928           |
| Buildings and improvements            | 2,282,793            | -                  | 52,487                | 2,335,280            |
| Improvements other than buildings     | 1,030                | -                  | -                     | 1,030                |
| Mobile Equipment                      | 2,402,431            | 169,501            | (430,899)             | 2,141,033            |
| Furniture & Equipment                 | 273,140              | 58,687             | 660                   | 332,487              |
| Total                                 | <u>73,203,309</u>    | <u>228,188</u>     | <u>5,984,261</u>      | <u>79,415,758</u>    |
| Less accumulated depreciation for:    |                      |                    |                       |                      |
| Infrastructure                        | 24,189,562           | 2,036,231          | 27,481                | 26,253,274           |
| Buildings and improvements            | 396,697              | 48,434             | -                     | 445,131              |
| Improvements other than buildings     | 365                  | -                  | -                     | 365                  |
| Mobile Equipment                      | 1,496,991            | 169,389            | (314,134)             | 1,352,246            |
| Furniture & Equipment                 | 189,458              | 12,993             | -                     | 202,451              |
| Total                                 | <u>26,273,073</u>    | <u>2,267,047</u>   | <u>(286,653)</u>      | <u>28,253,467</u>    |
| Net capital assets being depreciated  | <u>46,930,236</u>    | <u>(2,038,859)</u> | <u>6,270,914</u>      | <u>51,162,291</u>    |
| Total capital assets, net             | <u>\$ 57,870,385</u> | <u>8,444,379</u>   | <u>(65,609)</u>       | <u>66,249,155</u>    |

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

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 73,092           |
| Public safety                     | 61,306              |
| Public works                      | 2,117,696           |
| Conservation of natural resources | 14,953              |
|                                   | <u>\$ 2,267,047</u> |

## City of Diamondhead, Mississippi

### Notes to the Financial Statements

September 30, 2024

#### Note 7 – Capital assets (continued)

Commitments with respect to unfinished capital projects for the year ended September 30, 2024 are as follows:

|   | Expended to Date    | Remaining Commitments |
|---|---------------------|-----------------------|
| Commercial Area Transformation Project                                  | \$ 4,157,451        | 1,314,833             |
| East Aloha Improvements - Phase II                                      | 23,800              | 52,200                |
| Canal Dredging Improvements   | 26,306              | 317,844               |
| Coon Branch - Drainage, Flood Prevention & Water Quality Improvements   | 113,339             | 364,761               |
| Kome Dr - Drainage, Flood Prevention & Water Quality Improvements Ph II | 91,175              | 173,825               |
| Bank Stabilization Project (HBOS)                                       | 194,400             | 242,500               |
| Noma Drive Boat Launch - Phase II                                       | 555,173             | 210,804               |
| Noma Drive Boat Launch - Phase II - Jordan River Boardwalk              | 13,143              | 87,275                |
| Tidelands Nature Trail  | 12,725              | 247,888               |
| Kaleki Way Drainage   | 827,894             | 165,223               |
| Kalae Drive Drainage  | 40,561              | 250,259               |
| Turnberry Drainage  | 199,897             | 536,848               |
| Diamondhead Dr East - Ahuli & Bayou Dr                                  | 102,395             | 501,260               |
| Kolo Court  | 190,356             | 68,902                |
| Hilo Way Master Drainage  | 24,000              | 416,348               |
|   | <u>\$ 6,572,615</u> | <u>\$ 4,950,770</u>   |

#### Note 8- Other Post Employment Benefits

##### *Plan Description*

The Mississippi Public Employees' Retirement System (PERS) offers the City's employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of the IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997.

##### *Funding Policy*

The plan is voluntary, and contributions are matched up to a certain percent designated by Council. The City matches an employee's contributions on a dollar for dollar basis up to a maximum of 8% of the employee's salary or \$5,000 per fiscal year, whichever is less. Employer contributions for 2024, 2023, and 2022 were \$51,724, \$46,190, and \$50,612, respectively.

## City of Diamondhead, Mississippi

### Notes to the Financial Statements

September 30, 2024

#### **Note 9 – Long-term Debt**

Debt transactions for the year ended September 30, 2024, consisted of the following:

|                                      | Balance<br>10/1/2023      | Additions            | Reductions            | Balance<br>9/30/2024    | Due within<br>One Year |
|--------------------------------------|---------------------------|----------------------|-----------------------|-------------------------|------------------------|
| <b>Capital debt:</b>                 |                           |                      |                       |                         |                        |
| Special Obligation Bond, Series 2022 | \$4,145,000               | -                    | 300,000               | 3,845,000               | 315,000                |
| Equipment Installment Loans          | 790,538                   | -                    | 159,244               | 631,294                 | 163,949                |
| <b>Noncapital debt:</b>              |                           |                      |                       |                         |                        |
| Compensated absences payable         | <u>59,894</u>             | <u>42,821</u>        | <u>56,441</u>         | <u>46,274</u>           | <u>23,372</u>          |
| <b>Total long-term debt</b>          | <b><u>\$4,995,432</u></b> | <b><u>42,821</u></b> | <b><u>515,685</u></b> | <b><u>4,522,568</u></b> | <b><u>502,321</u></b>  |

#### **A. Capital Debt**

Capital Debt for the year ended September 30, 2024 is as follows:

| Description and Purpose                                  | Original Issue<br>Amount | Amount<br>Outstanding      | Interest<br>Rate | Final Maturity<br>Date |
|--|--------------------------|----------------------------|------------------|------------------------|
| <b>A. Special Obligation Bonds</b>                       |                          |                            |                  |                        |
| Special Obligation Bonds, Series 2022                    | 4,485,000                | \$ 3,845,000               | 4.36%            | 8/1/2034               |
| Total Bonds  |                          | <u>3,845,000</u>           |                  |                        |
| <b>B. Equipment Installment Loans</b>                    |                          |                            |                  |                        |
| Southern Mississippi Investment Co./Hancock-Whitney Bank |                          |                            |                  |                        |
| Asset: City hall, \$108,271 annually                     | 1,286,415                | 494,580                    | 3.09%            | 7/1/2029               |
| The First Bank   |                          |                            |                  |                        |
| Asset: Public works equipment, \$66,752 annually         | 320,000                  | 130,714                    | 1.42%            | 12/23/2025             |
| Candence Bank  |                          |                            |                  |                        |
| Assets: 4 copiers, \$475 monthly                         | 21,477                   | 6,000                      | 2.96%            | 9/15/2025              |
| Total Equipment Installment Loans                        |                          | <u>631,294</u>             |                  |                        |
| <b>Total Capital Debt</b>                                |                          | <b><u>\$ 4,476,294</u></b> |                  |                        |

#### Special Obligation Bonds, Series 2022

In 2022, the City issued Special Obligation Bonds, Series 2022 in the amount of \$4,485,000. These bonds mature 08/01/2034 and carry a fixed coupon rate of 4.36%. The bond issuance costs amounted to \$147,110. The proceeds of these bonds are being used for the purpose of providing projects as authorized under the City Act, including but not limited to (i) constructing, maintaining, reconstructing, improving, and repairing roads and streets and acquiring rights-of-way therefore if necessary; (ii) erecting, repairing, improving, extending or maintaining waterworks or water distribution systems, and repairing, improving and extending the same; (iii) establishing erecting, repairing, improving, extending or maintaining sanitary, storm, drainage or sewer systems; (iv) constructing, maintaining, reconstructing, improving, and repairing bridges and culverts; (v) for other authorized purposes under the Act (the “City Project”); and (vi) financing the costs of issuance of the Series 2022 Bonds.

**City of Diamondhead, Mississippi**

Notes to the Financial Statements

September 30, 2024

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

The following is a schedule by years of the total payments due as of September 30, 2024:

| <u>September 30,</u> | <u>Principal</u>           | <u>Interest</u>       | <u>Total</u>            |
|----------------------|----------------------------|-----------------------|-------------------------|
| 2025                 | \$ 315,000                 | 167,642               | 482,642                 |
| 2026                 | 330,000                    | 153,908               | 483,908                 |
| 2027                 | 345,000                    | 139,520               | 484,520                 |
| 2028                 | 355,000                    | 124,478               | 479,478                 |
| 2029                 | 375,000                    | 109,000               | 484,000                 |
| 2030-2034            | 2,125,000                  | 285,798               | 2,410,798               |
|                      | <u><u>\$ 3,845,000</u></u> | <u><u>980,346</u></u> | <u><u>4,825,346</u></u> |

**B. Equipment Installment Loans**

The City maintains various equipment installment loans (formerly referred to as capital leases) of building and equipment as follows:

|  | <u>Balance</u>    |                  |                   |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | <u>10/1/2023</u>  | <u>Additions</u> | <u>Reductions</u> | <u>9/30/2024</u> |
| Buildings and improvements - City Hall | \$ 584,782        |                  | 90,202            | 494,580          |
| Furniture & Equipment - Public Works   | 194,701           |                  | 63,987            | 130,714          |
| Furniture & Equipment - Copiers        | 11,055            | -                | 5,055             | 6,000            |
| <b>Total</b>                           | <b>\$ 790,538</b> | <b">-</b">       | <b">159,244</b">  | <b">631,294</b"> |

On July 22, 2014, the City acquired its City Hall buildings and grounds through an agreement between Southern Mississippi Investment Co., Inc. and Hancock Bank. Under this agreement, Southern Mississippi Investment Co., Inc.'s purchase of the buildings and grounds was financed by a loan agreement with Hancock Bank. The Hancock Bank loan amount included funds to purchase and renovate the buildings and grounds. An assignment between the parties includes stipulations that Southern Mississippi Investment Co., Inc. assign all its rights, title, and interest in the lease agreement, including receiving rental payment, to Hancock Bank. Under the terms of the agreement, payments made by the City are paid directly to Hancock Bank as repayment of Southern Mississippi Investment Co., Inc.'s loan. The lease matures in 2029 and has an interest rate of 3.09%.

The following is a schedule by years of the total payments due as of September 30, 2024:

| <u>September 30,</u> | <u>Principal</u>         | <u>Interest</u>      | <u>Total</u>          |
|----------------------|--------------------------|----------------------|-----------------------|
| 2025                 | \$ 163,949               | 17,249               | 181,198               |
| 2026                 | 161,684                  | 13,344               | 175,028               |
| 2027                 | 98,825                   | 9,447                | 108,272               |
| 2028                 | 101,878                  | 6,393                | 108,271               |
| 2029                 | 104,958                  | 3,245                | 108,203               |
|                      | <u><u>\$ 631,294</u></u> | <u><u>49,678</u></u> | <u><u>680,972</u></u> |

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

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

##### **C. Noncapital Debt – Compensated Absences**

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

##### **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, 2024, the amount of outstanding debt was equal to 4.12% of the latest property assessments.

#### **Note 10 – Net Investment in Capital Assets**

Net investment in capital assets:

| Capital Assets  |                             |
|---|-----------------------------|
| Capital assets not being depreciated                                    | \$ 15,086,864               |
| Other capital assets  | 79,415,758                  |
| Less: accumulated depreciation  | (28,253,467)                |
| Less: outstanding balances of borrowings for capital asset acquisition: |                             |
| 2022 bond payable   | (3,845,000)                 |
| Equipment installment loans   | (631,294)                   |
| Add: cash balances of bond proceeds                                     | 962,962                     |
| Less: material accounts payable and retainage payable at year end       | (956,602)                   |
| Total Net Investment in Capital Assets                                  | <u><u>\$ 61,779,221</u></u> |

#### **Note 11 – 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, 2024 was 29.5 mills or \$29.50 per \$1,000 of assessed valuation.

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

#### **Note 11 – Property and Sales Tax Revenue (continued)**

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

#### **B. 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 Diamondhead) back to the City monthly. General sales tax revenue reported in the General Fund was \$935,820.

#### **Note 12 – Risk Management, Contingencies and Contract Commitments**

#### **A. Risk Management**

Workman's Compensation Insurance - 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, 2023, to January 1, 2024. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

#### **B. Contingencies**

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

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

## **City of Diamondhead, Mississippi**

### Notes to the Financial Statements

September 30, 2024

### **Note 12 – Risk Management, Contingencies and Contract Commitments (continued)**

#### **C. Commitments/Service Contracts**

Police Services – In September 2012, as approved by the Mississippi State Attorney General and as provided by Miss. Code Ann. (1972), §17-13-1 and §17-13-5. *et seq.*, the City entered into an interlocal cooperation agreement with Hancock County, Mississippi (County), whereby the County will provide all police protection, animal control, investigative services, and other purposes, including 911 services to the City. This agreement is cancellable upon 60 days written notice by mutual agreement between parties. Amounts paid during fiscal year ended September 2024 totaled \$874,820.

Tax Collection – In February 2012, the City entered into an interlocal agreement with Hancock County, Mississippi (County), whereby the County Chancery Clerk will provide delinquent tax redemption payment services for the City. The terms of the agreement include automatic annual renewal. The agreement can be terminated by either party by written notification not less than nine months in advance of annual renewal date. Under the terms of the agreement, the County Chancery Clerk will be paid \$10 per parcel for cost incurred.

Solid Waste Collection Services – In November 2013, the City entered into an interlocal agreement with Hancock County, Mississippi (County), whereby the County Tax Collector will provide solid waste fees collections for the City. Under the terms of the agreement, services commenced on January 1, 2020 and automatically renews annually. Under the agreement the City agrees to pay the County Tax Collector \$12,500 annually and agrees to allow the County to retain 3% of the gross collections as a commission to the County for all services necessary to carry out the terms of the agreement. The agreement can be terminated by either party.

Solid Waste Contract –Currently, the City’s solid waste collections are provided through a contract between Hancock County Regional Solid Waste Authority (Authority) and Coastal Environmental Services of Louisiana, LLC. (Contractor). Under the terms of the contract, the Contractor will collect, haul, and dispose of solid waste generated by the City’s residents for a monthly fee of \$15.36 per unit. The Contractor submits monthly invoices to the Authority for these services. The Authority bills the City for its respective portion of the Contractor’s invoices.

### **Note 13 – Jointly Governed Organization**

The Hancock County Regional Solid Waste Management Authority (the Authority) is a governmental entity originally formed by an agreement between the City of Bay St. Louis, Mississippi, the City of Waveland, Mississippi, and Hancock County, Mississippi pursuant to the Interlocal Cooperation Act of 1974. The Authority was officially incorporated in March 1998 pursuant to incorporation agreement entered into in December 1997. The Authority is to function for purposes of solid waste management for the participating units of local government, the Cities of Bay St. Louis, Waveland, Diamondhead, and Hancock County, Mississippi, in fulfilling their obligations to establish, operate, and maintain a garbage collections and disposal system.

The Authority is governed by a Board of Commissioners composed of eight commissioners: two appointed by Hancock County Board of Supervisors and the remaining appointed by the member units of local government pursuant to the Act.

**City of Diamondhead, Mississippi**

Notes to the Financial Statements

September 30, 2024

**Note 14 – Subsequent Events**

Events that occur after the statement of net position date but before the financial statements were 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 of Diamondhead, Mississippi evaluated the activity of the City through December 16, 2025 (the date the financial statements were available to be issued), that there are no subsequent events that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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**City of Diamondhead, 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, 2024**

|   | Original<br>Budget | Final<br>Budget   | Actual<br>Budgetary<br>Basis | Variances                                       |                    |
|---|--------------------|-------------------|------------------------------|---|--------------------|
|   |                    |                   |                              | Favorable (Unfavorable)<br>Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>  |                    |                   |                              |   |                    |
| Property taxes  | \$ 3,073,000       | 3,170,500         | 3,232,730                    | 97,500  | 62,230             |
| Licenses, commissions and other   | 470,750            | 459,000           | 452,426                      | (11,750)  | (6,574)            |
| Intergovernmental revenues  | 1,542,700          | 1,691,616         | 1,653,867                    | 148,916   | (37,749)           |
| Charges for governmental service  | 1,000              | 1,800             | 2,050                        | 800   | 250                |
| Fines and forfeitures   | 35,000             | 35,000            | 37,613                       | -   | 2,613              |
| Miscellaneous   | 268,000            | 204,717           | 203,947                      | (63,283)  | (770)              |
| Interfund transfers   | -                  | 152,962           | 42,962                       | 152,962   | (110,000)          |
| Non-revenue receipts  | -                  | 171,550           | 176,400                      | 171,550   | 4,850              |
| <b>Total revenues</b>   | <b>5,390,450</b>   | <b>5,887,145</b>  | <b>5,801,995</b>             | <b>496,695</b>                                  | <b>(85,150)</b>    |
| <b>Expenditures:</b>  |                    |                   |                              |   |                    |
| Legislative - council   | 52,260             | 52,260            | 48,752                       | -   | 3,508              |
| Judicial - Municipal court  | 155,444            | 155,444           | 146,421                      | -   | 9,023              |
| Administration  | 901,513            | 940,366           | 874,482                      | (38,853)  | 65,884             |
| Police  | 1,174,914          | 1,152,464         | 1,089,070                    | 22,450  | 63,394             |
| Building, planning & zoning   | 464,385            | 491,722           | 408,843                      | (27,337)  | 82,879             |
| Public works  | 1,634,203          | 1,713,809         | 1,477,902                    | (79,606)  | 235,907            |
| Economic development  | 116,600            | 105,200           | 96,483                       | 11,400  | 8,717              |
| Debt service  | 183,777            | 183,777           | 180,249                      | -   | 3,528              |
| Grant matching funds-transfers  | 700,000            | 950,000           | 496,391                      | (250,000)                                       | 453,609            |
| <b>Total expenditures</b>   | <b>5,383,096</b>   | <b>5,745,042</b>  | <b>4,818,593</b>             | <b>(361,946)</b>                                | <b>926,449</b>     |
| <b>Excess (Deficiency) of Available<br/>Resources over Use of<br/>Resources</b> |                    |                   |                              |   |                    |
|   | <b>\$ 7,354</b>    | <b>\$ 142,103</b> | <b>\$ 983,402</b>            | <b>\$ 134,749</b>                               | <b>841,299</b>     |
| <b>Differences between budgetary and GAAP fund balances</b>                     |                    |                   |                              |   |                    |
| Change in fund balance - Budgetary Basis  |                    |                   | 983,402                      |   |                    |
| Accruals for expenses incurred but not paid                                     |                    |                   | (9,996)                      |   |                    |
| Accruals for revenues recognized but not yet received                           |                    |                   | (9,534)                      |   |                    |
| <b>Net Change in fund balance - Fund Financials</b>                             |                    |                   | <b>\$ 963,872</b>            |   |                    |

**City of Diamondhead, Mississippi**  
Notes to the Required  
Supplementary Information-Budgetary Schedules  
For the Fiscal Year Ended September 30, 2024

**A. Budgetary Information.**

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

**B. Basis of Presentation.**

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

**C. Budget/GAAP Reconciliation.**

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

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

**D. Budgetary Data**

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

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

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**SUPPLEMENTAL INFORMATION**

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**City of Diamondhead, Mississippi**  
**Schedule of Expenditures of Federal Awards and Notes**  
**For the Fiscal Year Ended September 30, 2024**

| <u>Federal Grantor/</u><br><i>Passed-through Grantor/</i><br><i>Program Title or Cluster</i> | <u>Federal</u><br><u>CFDA</u><br><u>Number</u> | <u>Grant No. /</u><br><u>Pass-Through</u><br><u>Number</u> | <u>Federal</u><br><u>Expenditures</u> |
|--|--|--|---------------------------------------|
| <b>U.S. Department of Interior</b>   |  |  |                                       |
| <i>Passed through the MS Department of Environmental Quality</i>                             |  |  |                                       |
| Natural Resource Damage Assessment and Restoration   | 16.658   | 24-00094   | \$ 13,143                             |
| <i>Passed through the MS Department of Marine Resources</i>                                  |  |  |                                       |
| GOMESA ACT   | 15.435   | 3000033617   | 98,524                                |
| GOMESA ACT   | 15.435   | 3000036053   | 83,975                                |
| <i>Passed through Hancock County, MS Board of Supervisors</i>                                |  |  |                                       |
| GOMESA ACT   | 15.435   | n/a  | 69,750                                |
| <b>Total U.S. Department of Interior</b>   |  |  | <b><u>265,392</u></b>                 |
| <b>U.S. Department of Treasury</b>   |  |  |                                       |
| <i>Passed through the MS Department of Environmental Quality</i>                             |  |  |                                       |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 605-2-SW-5.6   | 372,861                               |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 608-2-SW-5.6   | 69,133                                |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 610-2-SW-5.6   | 18,033                                |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 619-2-SW-5.6   | 12,000                                |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 443-2-SW-5.6   | 80,258                                |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | 454-2-SW-5.6   | 188,073                               |
| <i>Passed through the MS Department of Finance and Adminstration</i>                         |  |  |                                       |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027   | MS0068   | 740,358                               |
| <b>Total U. S. Department of Treasury</b>  |  |  | <b><u>1,480,716</u></b>               |
| <b>Total Expenditures of Federal Awards</b>  |  |  | <b><u>\$ 1,746,108</u></b>            |

**Notes to the Schedule:**

*Note 1 – Basis of Presentation*

This schedule includes the federal award activity of the City of Diamondhead, Mississippi under programs of the federal government of the year ended September 30, 2024. 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 City of Diamondhead, Mississippi, it is not intended to and does not present the financial position, or changes in net assets of City of Diamondhead, Mississippi.

*Note 2 – Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on same basis of accounting and significant accounting policies, as applicable, used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

*Note 3 – Indirect Cost Rate*

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

*Note 4 – Subrecipients*

No awards were passed through to subrecipients.

**City of Diamondhead, Mississippi**  
Schedule of Surety Bonds  
(Required by State of Mississippi)  
For the Fiscal Year Ended September 30, 2024

| Position           | Name            | Amount     |
|--------------------|-----------------|------------|
| Mayor              | Nancy Depreo    | \$ 100,000 |
| Council            | Gerard Maher    | 100,000    |
| Council            | Shane Finley    | 100,000    |
| Council            | Anna Liese      | 100,000    |
| Council            | John Cumberland | 100,000    |
| Council            | Austin Clark    | 100,000    |
| City Manager       | Jon McCraw      | 50,000     |
| City Clerk         | Jeannie Klein   | 50,000     |
| Deputy City Clerk  | Tammy Garber    | 50,000     |
| Finance Clerk      | Andrea Galvin   | 50,000     |
| Court Clerk        | Lolita McSwain  | 50,000     |
| Deputy Court Clerk | Vacant          | 50,000     |
| Building Official  | Beau King       | 50,000     |
| Building Inspector | Steven Torone   | 50,000     |
| Building Inspector | Timothy Simmons | 50,000     |
| Building Clerk     | Tammy Braud     | 50,000     |
| Public Works Clerk | Ashley Boone    | 50,000     |

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SPECIAL REPORTS

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# WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

*Certified Public Accountants*

MICHAEL E. GUEL, CPA, CVA, PFS, CFP, CFE  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and  
City Council of  
City of Diamondhead, 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, each major fund, and the aggregate remaining fund information of the City of Diamondhead, Mississippi (the "City") as and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2025.

### Report on 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) as a basis for designing 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.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Diamondhead'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 & Guel*

Wright, Ward, Hatten and Guel

Gulfport, Mississippi

December 16, 2025

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

Honorable Mayor and  
City Council of  
City of Diamondhead, Mississippi

### **Report on Compliance for Each Major Federal Program**

### **Opinion on Each Major Federal Program**

We have audited the City of Diamondhead, 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 Diamondhead, Mississippi's major federal programs for the year ended September 30, 2024. City of Diamondhead, 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 Diamondhead, 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, 2024.

### ***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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 Diamondhead, 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 & Guel*

Wright, Ward, Hatten and Guel

Gulfport, Mississippi

December 16, 2025

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

Honorable Mayor and  
City Council of  
City of Diamondhead, Mississippi

We have audited the basic financial statements of the City of Diamondhead, Mississippi, as of and for the year ended September 30, 2024, and have issued our report dated December 16, 2025. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. However, noncompliance may exist that has not been identified.

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

*Wright Ward Hatten & Guel*

Wright, Ward, Hatten and Guel  
Gulfport, Mississippi  
December 16, 2025

**City of Diamondhead, Mississippi**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 2024

**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)? | No            |
| 7. | Federal programs identified as major:  |               |

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>                                 |
|-----------------------|---|
| 21.027                | U.S. Department of Treasury<br>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 were no financial statement findings noted during the fiscal year ended September 30, 2024.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There was no federal award findings noted during the fiscal year ended September 30, 2024.