



Mayor Depreo  
Councilmember L'Ecuyer At-Large  
Councilmember Finley Ward 1  
Councilmember Moran Ward 2  
Councilmember Morgan Ward 3  
Councilmember Clark Ward 4

## AGENDA

### SPECIAL CALLED MEETING OF THE CITY COUNCIL

Friday, March 26, 2021

3:00 PM CST

Council Chambers, City Hall  
and via teleconference, if necessary

---

#### Call to Order.

Confirm or Adjust Agenda Order

#### Presentation Agenda.

Council Comments.

Public Comments on Agenda Items.

#### Policy Agenda.

#### Resolutions:

- 1. 2021-089:** Motion to approve Resolution No. 2021-012 which directs and authorizes the City Clerk to include on the June 8, 2021 General Election Ballot two (2) separate non-binding referendums to be considered by the electors of the City of Diamondhead to determine certain action, if any, regarding consolidating services of the Diamondhead Water & Sewer Department and the Diamondhead Fire Department.

#### Consent Agenda:

#### Action Agenda.

- 2. 2021-090:** Motion for discussion and possible action regarding the Diamondhead Water & Sewer District bonds.
- 3. 2021-091:** Motion to accept the Consolidated Financial Report executed by Ty Necaize of Necaize & Company.
- 4. 2021-092:** Motion to accept the recommendation of the City Manager to select Rostan Solutions for Disaster Recovery Consulting Services and to authorize the City Manager to execute contract for same.

#### Public Comments on Non-Agenda Items.

#### Executive Session - If Necessary

#### Adjourn/Recess.

*NOTE: THE CITY OF DIAMONDHEAD WILL FURNISH APPROPRIATE AUXILIARY AIDS AND SERVICES WHERE NECESSARY TO AFFORD INDIVIDUALS WITH DISABILITIES AN EQUAL OPPORTUNITY TO SERVICES AND ACTIVITIES OF THE CITY. A WRITTEN REQUEST BY OR ON BEHALF OF QUALIFYING INDIVIDUALS SHALL BE SUBMITTED IN A TIMELY MANNER TO THE CITY CLERK.*

**RESOLUTION TO DIRECT AND AUTHORIZE THE CITY CLERK TO INCLUDE ON THE JUNE 8, 2021 GENERAL ELECTION BALLOT TWO (2) SEPARATE NON-BINDING REFERENDUMS TO BE CONSIDERED BY THE ELECTORS OF THE CITY OF DIAMONDHEAD TO DETERMINE CERTAIN ACTION, IF ANY, REGARDING CONSOLIDATING SERVICES OF THE DIAMONDHEAD WATER AND SEWER DEPARTMENT AND THE DIAMONDHEAD FIRE DEPARTMENT**

**WHEREAS**, the City of Diamondhead has within the municipal corporate limits the Diamondhead Fire District and the Diamondhead Water & Sewer District, operating separately and independent of each other and the City, hereinafter referred to as the “Districts”;

**WHEREAS**, the Mayor and City Council for the City of Diamondhead retained the services of Necaise & Company to conduct a financial analysis of the Districts and to provide a Comprehensive Financial Report, hereinafter referred to as the “CFR”, to relay findings to the City; and;

**WHEREAS**, an initial presentation of the CFR indicates that a savings to the City of Diamondhead taxpayers could be realized if both Districts no longer operated as separately and independent of the City but rather functioned as departments within the governance of City of Diamondhead; and

**WHEREAS**, the City of Diamondhead will hold its General Election on June 8, 2021 and the City of Diamondhead governing body deem it both appropriate and necessary to utilize the General Election as no-cost opportunity to raise the question on both matters to the electorates for the purpose of obtaining a non-binding response.

**NOW THEREFORE BE IT RESOLVED**, the Mayor and Council for the City of Diamondhead do hereby direct the Diamondhead Election Commissioners and City Clerk to include on the June 8, 2021 General Election Ballot the following styled referendum and to process, tabulate and maintain the non-binding results in the same manner as would be for any matter placed upon the ballot for the electors of the City of Diamondhead:

- Do you favor the consolidation of the Diamondhead Water & Sewer District into city government by combining the operations of the Diamondhead Water & Sewer District to become a department within the City of Diamondhead and thereby eliminating the need for a separate water and sewer district within the City of Diamondhead?
- Do you favor the consolidation of the Diamondhead Fire Department into city government by combining the operations of the Diamondhead Fire Department to become a department within the City of Diamondhead and thereby eliminating the need for a fire district within the City of Diamondhead?

COUNCILMEMBER \_\_\_\_\_ MOVED, SECONDED BY COUNCILMEMBER \_\_\_\_\_ AND THE MATTER BEING PUT TO VOTE, I HEREBY CERTIFY THAT THE ABOVE AND FOREGOING RESOLUTION WAS ADOPTED IN THE AFFIRMATIVE BY THE FOLLOWING VOTE OF COUNCIL OF THE CITY OF DIAMONDHEAD ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 2021.

	Aye	Nay	Abstain
Councilmember Finley	_____	_____	_____
Councilmember Moran	_____	_____	_____
Councilmember Morgan	_____	_____	_____
Councilmember Clark	_____	_____	_____
Councilmember L'Ecuyer	_____	_____	_____
Mayor Depreo	_____	_____	_____

\_\_\_\_\_  
NANCY DEPREO, MAYOR

Attest:

\_\_\_\_\_  
Jeannie Klein, City Clerk

**City of Diamondhead, Mississippi**  
**Financial Statement Forecast**  
**For the Year Ended September 30, 2022**

 **Necaise** & company<sup>PLLC</sup>  
Certified Public Accounting Firm

January 29, 2021

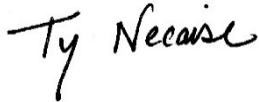
Honorable Mayor and City Council  
City of Diamondhead, Mississippi

Dear Honorable Mayor and City Council:

We are pleased to submit to you this financial statement forecast for The City of Diamondhead. This forecast was performed to determine the amount of property tax revenue needed to support a consolidation of fire services and water and sewer services with the City of Diamondhead. We also forecasted the impact of ending the interlocal agreement to provide policing services between the City and Hancock County Sheriff's department.

We appreciate the cooperation and courtesy extended by the officials and employees of the City of Diamondhead throughout this project. If we or this office can be of any further assistance, please contact us at (228) 236-3622.

Respectfully submitted,



Ty J Necaise, MBA, CPA

**City of Diamondhead, Mississippi**  
**Table of Contents**

ACCOUNTANT’S FORECAST REPORT	4
FINANCIAL STATEMENTS – HISTORICAL	
Statement of Net Position – Government-Wide	6
Balance Sheet – Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Statement of Net Position – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	10
Statement of Cash Flows – Proprietary Funds	11
CHANGES AS A RESULT OF CONSOLIDATION	
Statement of Net Position – Government-Wide	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Fire Department	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Police Department	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Water & Sewer System	17
FINANCIAL STATEMENTS – FORECAST	
Statement of Net Position – Government-Wide	19
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Statement of Net Position – Proprietary Fund	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund	24
NOTES TO THE FINANCIAL STATEMENTS	25

Honorable Mayor and City Council  
City of Diamondhead, Mississippi

Management is responsible for the accompanying forecast of the City of Diamondhead, Mississippi, which comprises the forecasted government wide statement of net position, governmental funds balance sheet, and proprietary statement of net position as of September 30, 2022 and the related forecasted statements of revenues, expenditures and changes in fund balances, statement of revenues, expenses and changes in fund net position and statement of cash flows for the year then ended, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Mayor, Council, and management, and are not intended to be and should not be used by anyone other than these specified parties.

*Necaise & Company PLLC*

Necaise & Company PLLC  
Gulfport, Mississippi  
January 29, 2021

**FINANCIAL STATEMENTS – HISTORICAL**



**City of Diamondhead, Mississippi**  
**Statement of Net Position – Government-Wide**  
**September 30, 2019**

	Governmental		Business-Type Activities	
	Activities			
	City of	Diamondhead	Water & Sewer	Total
	Diamondhead	Fire District	District	
<b>ASSETS</b>				
Cash	\$ 6,037,415	\$ 1,099,986	\$ 8,306,915	\$ 15,444,316
Cash, restricted	86,148	82,961	2,264,238	2,433,347
Accounts receivable, net	-	-	698,587	698,587
Property tax receivable	3,253,140	-	-	3,253,140
Franchise tax receivable	76,434	-	-	76,434
Fines receivable (net of allowance for uncollectibles of \$373,858)	22,556	-	-	22,556
Fire fees receivable, net	-	39,444	-	39,444
Prepaid expenses	62,094	9,028	76,803	147,925
Intergovernmental receivables	301,880	13,188	2,500,097	2,815,165
Inventory	-	-	81,909	81,909
Other assets	37,312	-	-	37,312
Capital assets:				
Nondepreciable capital assets	8,347,344	174,053	2,770,536	11,291,933
Depreciable capital assets, net	<u>51,592,255</u>	<u>532,923</u>	<u>52,088,208</u>	<u>104,213,386</u>
Total Assets	<u>69,816,578</u>	<u>1,951,583</u>	<u>68,787,293</u>	<u>140,555,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	-	80,517	-	80,517
Total Deferred Inflows of Resources	-	<u>80,517</u>	-	<u>80,517</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	314,942	144	487,041	802,127
Due to other governmental agencies	137,609	-	-	137,609
Accrued interest payable	9,062	-	143,499	152,561
Other payables	8,032	66,829	42,693	117,554
Long-term liabilities:				
Customer deposits	-	-	531,085	531,085
Compensated absences	28,165	43,972	103,012	175,149
Net pension liability	-	2,286,957	-	2,286,957
Due within one year				
Capital debt	142,153	-	629,044	771,197
Due in more than one year				
Capital debt	<u>967,810</u>	-	<u>10,158,529</u>	<u>11,126,339</u>
Total Liabilities	<u>1,607,773</u>	<u>2,397,902</u>	<u>12,094,903</u>	<u>16,100,578</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax for future reporting period	3,253,140	-	-	3,253,140
Deferred inflows related to pensions	-	30,991	-	30,991
Total Deferred Inflows of Resources	<u>3,253,140</u>	<u>30,991</u>	-	<u>3,284,131</u>
<b>NET POSITION</b>				
Net investment in capital assets	58,829,636	706,976	44,071,171	103,607,783
Restricted for:				
General government	147,714	-	-	147,714
Public safety	43,379	(1,103,769)	-	(1,060,390)
Public works	24,840	-	12,621,219	12,646,059
Conservation of natural resources	(1,470)	-	-	(1,470)
Economic development	(1,332)	-	-	(1,332)
Unrestricted	<u>5,912,898</u>	-	-	<u>5,912,898</u>
Total Net Position	<u>\$ 64,955,665</u>	<u>\$ (396,793)</u>	<u>\$ 56,692,390</u>	<u>\$121,251,262</u>

**City of Diamondhead, Mississippi**  
**Balance Sheet – Governmental Funds**  
**September 30, 2019**

	<u>General Fund</u>	<u>Police Department</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 5,494,873	\$ -	\$ 542,542	\$ 6,037,415
Cash, restricted	63,847	-	22,301	86,148
Receivables:				
Property tax	3,253,140	-	-	3,253,140
Fines, net	22,556	-	-	22,556
Franchise tax	76,434	-	-	76,434
Due from other funds	458,879	-	-	458,879
Intergovernmental receivables	181,449	-	19,586	201,035
Prepaid expenses	62,094	-	-	62,094
Other assets	37,312	-	-	37,312
Total Assets	<u>\$ 9,650,584</u>	<u>\$ -</u>	<u>\$ 584,429</u>	<u>\$ 10,235,013</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 311,160	\$ -	\$ 3,782	\$ 314,942
Intergovernmental payables	86,983	-	50,626	137,609
Due to other funds	-	-	458,879	458,879
Other payables	8,032	-	-	8,032
Total Liabilities	<u>406,175</u>	<u>-</u>	<u>513,287</u>	<u>919,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	3,253,140	-	-	3,253,140
Unavailable revenue - fines	22,556	-	-	22,556
Total Deferred Inflows of Resources	<u>3,275,696</u>	<u>-</u>	<u>-</u>	<u>3,275,696</u>
<b>FUND BALANCES</b>				
Restricted:				
General government	63,847	-	-	63,847
Public safety	-	-	22,301	22,301
Committed:				
Public works	-	-	51,643	51,643
Conservation of natural resources	-	-	(1,470)	(1,470)
Economic development	-	-	(1,332)	(1,332)
Unassigned	5,904,866	-	-	5,904,866
Total Fund Balances	<u>5,968,713</u>	<u>-</u>	<u>71,142</u>	<u>6,039,855</u>
Total Liabilities and Fund Balances	<u>\$ 9,650,584</u>	<u>\$ -</u>	<u>\$ 584,429</u>	<u>\$ 10,235,013</u>

## City of Diamondhead, Mississippi

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Police Department</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES</b>				
Property taxes	\$ 2,586,152	\$ 873,472	\$ -	\$ 3,459,624
General sales taxes	673,547	-	-	673,547
Franchise taxes	275,701	-	-	275,701
Road and bridge privilege taxes	384,627	-	-	384,627
Licenses, commissions and other revenue	124,439	-	-	124,439
Fines and forfeitures	69,996	-	-	69,996
Intergovernmental revenues	13,500	-	577,104	590,604
Charges for services	-	-	596,319	596,319
Interest	128,043	-	2,447	130,490
Other revenues	8,911	-	14,989	23,900
Total revenues	<u>4,264,916</u>	<u>873,472</u>	<u>1,190,859</u>	<u>6,329,247</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,292,005	-	-	1,292,005
Public safety	174,921	873,472	65,523	1,113,916
Public works	1,436,502	-	1,280,090	2,716,592
Culture and recreation	34,065	-	-	34,065
Conservation of natural resources	-	-	30,174	30,174
Economic development and assistance	69,870	-	19,607	89,477
Debt service:				
Capital lease	138,544	-	-	138,544
Interest	35,811	-	-	35,811
Total expenditures	<u>3,181,718</u>	<u>873,472</u>	<u>1,395,394</u>	<u>5,450,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,083,198</u>	<u>-</u>	<u>(204,535)</u>	<u>878,663</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	268,605	268,605
Transfers out	(268,605)	-	-	(268,605)
Insurance proceeds	843	-	-	843
Total other financing sources (uses)	<u>(267,762)</u>	<u>-</u>	<u>268,605</u>	<u>843</u>
Net change in fund balances	815,436	-	64,070	879,506
Fund balances, October 1, 2018	<u>5,153,277</u>	<u>-</u>	<u>7,072</u>	<u>5,160,349</u>
Fund balances, September 30, 2019	<u>\$ 5,968,713</u>	<u>\$ -</u>	<u>\$ 71,142</u>	<u>\$ 6,039,855</u>

**City of Diamondhead, Mississippi**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2019**

<b>ASSETS</b>	<i>Fire Protection District</i>	<i>Combined Water and Sewer System</i>	<i>Total</i>
Current assets:			
Cash	\$ 1,099,986	\$ 8,306,915	\$ 9,406,901
Fire fees receivable, net	39,444	-	39,444
Accounts receivable, net	-	698,587	698,587
Intergovernmental receivables	13,188	2,500,097	2,513,285
Prepaid expense	9,028	76,803	85,831
Inventory	-	81,909	81,909
Total current assets	<u>1,161,646</u>	<u>11,664,311</u>	<u>12,825,957</u>
Non-current assets:			
Cash, restricted	82,961	2,264,238	2,347,199
Capital assets:			
Capital assets not being depreciated	174,053	2,770,536	2,944,589
Capital assets being depreciated, net	<u>532,923</u>	<u>52,088,208</u>	<u>52,621,131</u>
Total non-current assets	<u>789,937</u>	<u>57,122,982</u>	<u>57,912,919</u>
Total assets	<u>1,951,583</u>	<u>68,787,293</u>	<u>70,738,876</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>80,517</u>	-	<u>80,517</u>
Total Deferred Inflows of Resources	<u>80,517</u>	-	<u>80,517</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	144	309,094	309,238
Retainage payable	-	177,947	177,947
Interest payable	-	143,499	143,499
Payroll liabilities	39,798	22,849	62,647
Unearned revenue	27,031	19,844	46,875
Capital debt, current	-	629,044	629,044
Total current liabilities	<u>66,973</u>	<u>1,302,277</u>	<u>1,369,250</u>
Non-current liabilities:			
Net pension liability	2,286,957	-	2,286,957
Customer Deposits	-	531,085	531,085
Compensated absences	43,972	103,012	146,984
Capital debt	-	10,158,529	10,158,529
Total non-current liabilities	<u>2,330,929</u>	<u>10,792,626</u>	<u>13,123,555</u>
Total liabilities	<u>2,397,902</u>	<u>12,094,903</u>	<u>14,492,805</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>30,991</u>	-	<u>30,991</u>
Total Deferred Inflows of Resources	<u>30,991</u>	-	<u>30,991</u>
<b>NET POSITION</b>			
Net investment in capital assets	706,976	44,071,171	44,778,147
Restricted	82,961	4,233,700	4,316,661
Unrestricted	<u>(1,186,730)</u>	<u>8,387,519</u>	<u>7,200,789</u>
Total net position	<u>\$ (396,793)</u>	<u>\$ 56,692,390</u>	<u>\$ 56,295,597</u>

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<i>Fire Protection District</i>	<i>Combined Water and Sewer System</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,333,197	\$ -	\$ 1,333,197
Insurance rebate revenue	18,814	-	18,814
Water use charges	-	1,502,144	1,502,144
Water service fees	-	49,334	49,334
Sewer use charges	-	2,757,094	2,757,094
Total operating revenues	<u>1,352,011</u>	<u>4,308,572</u>	<u>5,660,583</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,066,008	1,479,392	2,545,400
Pension expense	257,650	-	257,650
Insurance	18,841	88,026	106,867
Telephone and utilities	-	269,717	269,717
Repairs, maintenance and supplies	66,784	214,540	281,324
Legal and professional fees	-	148,281	148,281
Contract services	-	124,933	124,933
Office expense	-	16,506	16,506
Training & uniforms	13,215	8,145	21,360
Dues and subscriptions	-	2,887	2,887
Commissioner services	-	8,736	8,736
Administrative expenses	90,641	-	90,641
Grant expenses	125	-	125
Bad debt expense	-	(932)	(932)
Depreciation expense	44,883	1,666,906	1,711,789
Total operating expenses	<u>1,558,147</u>	<u>4,027,137</u>	<u>5,585,284</u>
Operating income (loss)	<u>(206,136)</u>	<u>281,435</u>	<u>75,299</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Taxes	328,213	-	328,213
Miscellaneous revenues	2,602	2,031	4,633
Insurance recovery payments	1,429	-	1,429
Interest income	1,025	202,013	203,038
Interest expense	-	(341,869)	(341,869)
Total nonoperating revenues (expenses)	<u>333,269</u>	<u>(137,825)</u>	<u>195,444</u>
Change in net position	127,133	143,610	270,743
Net position, beginning	(523,926)	56,548,780	56,024,854
Net position, ending	<u>\$ (396,793)</u>	<u>\$ 56,692,390</u>	<u>\$ 56,295,597</u>

**City of Diamondhead, Mississippi**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<i>Fire Protection District</i>	<i>Combined Water and Sewer System</i>	<i>Total</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ -	\$ 4,113,440	\$ 4,113,440
Cash received from charges for services	1,351,760	-	1,351,760
Cash payments for personnel services	(1,230,589)	(1,470,091)	(2,700,680)
Cash payments to suppliers for goods or services	<u>(206,527)</u>	<u>(1,123,530)</u>	<u>(1,330,057)</u>
Net cash provided (used) by operating activities	<u>(85,356)</u>	<u>1,519,819</u>	<u>1,434,463</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Cash received from taxes	328,213	-	328,213
Cash received from insurance recoveries	1,429	-	1,429
Other non-operating income (expense)	<u>2,602</u>	<u>2,031</u>	<u>4,633</u>
Net cash provided (used) by non-capital financing activities	<u>332,244</u>	<u>2,031</u>	<u>334,275</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments on debt	-	(605,000)	(605,000)
Interest paid on debt	-	(353,477)	(353,477)
Acquisition, disposal, and construction of capital assets	<u>(3,285)</u>	<u>(2,155,272)</u>	<u>(2,158,557)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,285)</u>	<u>(3,113,749)</u>	<u>(3,117,034)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from interest income	<u>1,025</u>	<u>202,013</u>	<u>203,038</u>
Net cash provided (used) by investing activities	<u>1,025</u>	<u>202,013</u>	<u>203,038</u>
Net increase (decrease) in cash	244,628	(1,389,886)	(1,145,258)
Cash at beginning of year	<u>938,319</u>	<u>11,961,039</u>	<u>12,899,358</u>
Cash at end of year	<u>\$ 1,182,947</u>	<u>\$ 10,571,153</u>	<u>\$ 11,754,100</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Net operating income	\$ (206,136)	\$ 281,435	\$ 75,299
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	44,883	1,666,906	1,711,789
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(251)	(196,896)	(197,147)
(Increase) decrease in inventory	-	19,041	19,041
(Increase) decrease in other assets	(2,937)	(25,681)	(28,618)
Increase (decrease) in accounts payable	(37,348)	(251,936)	(289,284)
Increase (decrease) in retainage payable	-	15,885	15,885
Increase (decrease) in unearned income	2,503	(207)	2,296
Increase (decrease) in customer deposits	-	1,971	1,971
Increase (decrease) in payroll liabilities	124,568	7,594	132,162
Increase (decrease) in compensated absences	<u>(10,638)</u>	<u>1,707</u>	<u>(8,931)</u>
Net cash provided (used) by operating activities	<u>\$ (85,356)</u>	<u>\$ 1,519,819</u>	<u>\$ 1,434,463</u>

**CHANGES AS A RESULT OF CONSOLIDATION**

**City of Diamondhead, Mississippi**  
**Statement of Net Position – Government-Wide**  
**Changes as a Result of Consolidation**

	<b>Historical</b>		<b>Change</b>		<b>Forecast</b>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Governmental Change</i>	<i>Business-Type Change</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<b>ASSETS</b>							
Cash	\$ 6,037,415	\$ 9,406,901	\$ 1,099,986	\$ (1,099,986)	\$ 7,137,401	\$ 8,306,915	
Cash, restricted	86,148	2,347,199	82,961	(82,961)	169,109	2,264,238	
Accounts receivable, net	-	698,587	-	-	-	698,587	
Property tax receivable	3,253,140	-	930,000	-	4,183,140	-	Note 14
Franchise tax receivable	76,434	-	-	-	76,434	-	
Fines receivable (net of allowance for uncollectibles of \$373,858)	22,556	-	-	-	22,556	-	
Fire fees receivable, net	-	39,444	-	(39,444)	-	-	Note 14
Prepaid expenses	62,094	85,831	9,028	(9,028)	71,122	76,803	
Intergovernmental receivables	301,880	2,513,285	13,188	(13,188)	315,068	2,500,097	
Inventory	-	81,909	-	-	-	81,909	
Other assets	37,312	-	-	-	37,312	-	
Capital assets:							
Nondepreciable capital assets	8,347,344	2,944,589	174,053	(174,053)	8,521,397	2,770,536	
Depreciable capital assets, net	51,592,255	52,621,131	(4,567,399)	(3,889,449)	47,024,856	48,731,682	Note 5
Total Assets	<u>69,816,578</u>	<u>70,738,876</u>	<u>(2,258,183)</u>	<u>(5,308,109)</u>	<u>67,558,395</u>	<u>65,430,767</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions	-	80,517	-	(80,517)	-	-	Note 15
Total Deferred Inflows of Resources	<u>-</u>	<u>80,517</u>	<u>-</u>	<u>(80,517)</u>	<u>-</u>	<u>-</u>	



**City of Diamondhead, Mississippi**  
**Statement of Net Position – Government-Wide**  
**Changes as a Result of Consolidation (Continued)**

	Historical		Change		Forecast		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Governmental Change</i>	<i>Business-Type Change</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	314,942	487,185	144	(144)	315,086	487,041	
Due to other governmental agencies	137,609	-	-	-	137,609	-	
Accrued interest payable	9,062	143,499	-	-	9,062	143,499	
Other payables & unearned fire fees	8,032	109,522	39,798	(66,829)	47,830	42,693	Note 14
Long-term liabilities:							
Customer deposits	-	531,085	-	-	-	531,085	
Compensated absences	28,165	146,984	-	(146,984)	28,165	-	Note 16 & 20
Net pension liability	-	2,286,957	-	(2,286,957)	-	-	Note 15
Due within one year							
Capital debt	142,153	629,044	(54,655)	45,956	87,498	675,000	Note 8
Due in more than one year							
Capital debt	<u>967,810</u>	<u>10,158,529</u>	<u>(383,028)</u>	<u>(2,033,529)</u>	<u>584,782</u>	<u>8,125,000</u>	Note 8
Total Liabilities	<u>1,607,773</u>	<u>14,492,805</u>	<u>(397,741)</u>	<u>(4,488,487)</u>	<u>1,210,032</u>	<u>10,004,318</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property tax for future reporting period	3,253,140	-	930,000	-	4,183,140	-	Note 14
Deferred inflows related to pensions	<u>-</u>	<u>30,991</u>	<u>-</u>	<u>(30,991)</u>	<u>-</u>	<u>-</u>	Note 15
Total Deferred Inflows of Resources	<u>3,253,140</u>	<u>30,991</u>	<u>930,000</u>	<u>(30,991)</u>	<u>4,183,140</u>	<u>-</u>	
<b>NET POSITION</b>							
Net investment in capital assets	58,829,636	44,778,147	(3,955,663)	(2,075,929)	54,873,973	42,702,218	
Restricted for:							
General government	147,714	-	-	-	147,714	-	
Public safety	43,379	(1,103,769)	1,165,221	1,309,793	1,208,600	206,024	
Public works	24,840	12,621,219	-	(103,012)	24,840	12,518,207	
Conservation of natural resources	(1,470)	-	-	-	(1,470)	-	
Economic development	(1,332)	-	-	-	(1,332)	-	
Unrestricted	<u>5,912,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,912,898</u>	<u>-</u>	
Total Net Position	<u>\$ 64,955,665</u>	<u>\$ 56,295,597</u>	<u>\$ (2,790,442)</u>	<u>\$ (869,148)</u>	<u>\$ 62,165,223</u>	<u>\$ 55,426,449</u>	

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance – Fire Department**  
**Changes as a Result of Consolidation**

	<b>Fire Department</b>			
	<i>Historical</i>	<i>Change</i>	<i>Forecast</i>	
<b>REVENUES</b>				
Property taxes	\$ 328,213	\$ 930,000	\$ 1,258,213	(1)
Intergovernmental revenues	18,814	-	18,814	
Charges for services	1,333,197	(1,333,197)	-	Note 14
Interest	1,025	-	1,025	
Other revenues	4,031	-	4,031	
Total revenues	1,685,280	(403,197)	1,282,083	
<b>EXPENDITURES</b>				
Public safety:				
Wages	854,131	(54,782)	799,349	Note 16
Fringe benefits	145,929	(25,636)	120,293	Note 16
Pension expense	257,650	(195,640)	62,010	Note 15
Payroll taxes	65,948	(4,797)	61,151	Note 16
Workman's compensation	18,841	-	18,841	
Administrative expenses	90,641	(23,400)	67,241	Note 17
Supplies	8,613	-	8,613	
Training and uniform expenses	13,215	-	13,215	
Gas and oil expenses	7,161	-	7,161	
Depreciation expense	44,883	(44,883)	-	Note 17
Repairs and maintenance	51,010	-	51,010	
Grant expenses	125	-	125	
Total expenditures	1,558,147	(349,138)	1,209,009	
Excess (deficiency) of revenues over (under) expenditures	127,133	(54,059)	73,074	

**(1) MILLAGE ANALYSIS:**

As of the date of this report the value of a mill in Diamondhead is \$93,000.

We estimate approximately **ten additional mills** will be necessary to support the fire department.

City Portion of Property Taxes, Increase      93,000   x 10 mills =                      930,000

<i>Effect on real property:</i>	<i>Current*</i>	<i>10 Mills</i>	<i>Total Tax</i>	<i>10 Mills w/Homestead</i>
Home Value \$100,000	295	100	395	25
Home Value \$200,000	590	200	790	125
Home Value \$300,000	885	300	1,185	225
Home Value \$400,000	1,180	400	1,580	325

\* This doesn't include homestead exemption.

<i>Effect on car tags:</i>	<i>Current*</i>	<i>10 Mills</i>	<i>Total Tax</i>
Car Value \$15,500	36	12	48
Car Value \$25,500	59	20	79

\* Includes an estimated Legislative Tag Credit

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance – Police Department**  
**Changes as a Result of Consolidation**

	<b>Police Department</b>			
	<i>With Interlocal</i>	<i>Change</i>	<i>Without Interlocal</i>	
<b>REVENUES</b>				
Property taxes	\$ 873,742	\$ 232,500	\$ 1,106,242	(2)
Total revenues	873,742	232,500	1,106,242	
<b>EXPENDITURES</b>				
Public safety:				
Salaries & wages	468,636	205,484	674,120	Note 18
Overtime	70,200	(20,000)	50,200	Note 18
Retirement benefits	95,532	(43,082)	52,450	Note 18
Insurance, Health & WC	93,891	33,478	127,369	Note 18
Fuel	32,192	7,808	40,000	Note 19
Uniforms	3,720	1,280	5,000	Note 19
Repairs and maintenance	21,564	-	21,564	
Office & Supplies	2,595	-	2,595	
Internet	3,958	-	3,958	
Travel and training	2,258	5,742	8,000	Note 19
Insurance	12,695	-	12,695	
Lease expense	883	-	883	
Prisoner's expense	10,030	-	10,030	
Other services and charges	9,588	-	9,588	
Appropriations	9,600	-	9,600	
Capital outlay - vehicles	34,508	25,492	60,000	Note 19
Capital outlay - equipment	1,892	108	2,000	Note 19
Total expenditures	873,742	216,309	1,090,051	
Excess (deficiency) of revenues over (under) expenditures	-	16,191	16,191	

**(2) MILLAGE ANALYSIS:**

As of the date of this report the value of a mill in Diamondhead is \$93,000.

We estimate approximately 2.5 **additional mills** will be necessary to support the police department.

City Portion of Property Taxes, Increase	93,000	x 2.5 mills =	232,500	
<i>Effect on real property:</i>	<i>Current*</i>	<i>2.5 Mills</i>	<i>Total Tax</i>	<i>2.5 Mills w/Homestead</i>
Home Value \$100,000	295	25	320	6
Home Value \$200,000	590	50	640	31
Home Value \$300,000	885	75	960	56
Home Value \$400,000	1,180	100	1,280	81

\* This doesn't include homestead exemption.

<i>Effect on car tags:</i>	<i>Current*</i>	<i>2.5 Mills</i>	<i>Total Tax</i>
Car Value \$15,500	36	3	39
Car Value \$25,500	59	5	64

\* Includes an estimated Legislative Tag Credit

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenses and Changes in Fund Net Position – Water & Sewer System**  
**Changes as a Result of Consolidation**

	<b>Combined Water &amp; Sewer System</b>			
	<i>Historical</i>	<i>Change</i>	<i>Forecast</i>	
<b>OPERATING REVENUES</b>				
Water use charges	\$ 1,502,144	\$ -	\$ 1,502,144	
Water service fees	49,334	-	49,334	
Sewer use charges	2,757,094	-	2,757,094	
Total operating revenues	<u>4,308,572</u>	<u>-</u>	<u>4,308,572</u>	
<b>OPERATING EXPENSES</b>				
Salaries, wages and related taxes	1,108,413	(125,314)	983,099	Note 20
Health insurance	308,409	(145,660)	162,749	Note 20
Insurance	88,026	-	88,026	
Telephone and utilities	269,717	-	269,717	
Repairs, maintenance and supplies	214,540	-	214,540	
Legal and professional fees	148,281	(28,000)	120,281	Note 21
Contract services	124,933	-	124,933	
Retirement	62,570	9,116	71,686	Note 20
Office supplies and expense	16,506	-	16,506	
Uniforms	8,145	-	8,145	
Dues and subscriptions	2,887	-	2,887	
Commissioner services	8,736	(8,736)	-	Note 21
Bad debt expense	(932)	-	(932)	
Depreciation expense	1,666,906	-	1,666,906	
Total operating expenses	<u>4,027,137</u>	<u>(298,594)</u>	<u>3,728,543</u>	
Operating income (loss)	<u>281,435</u>	<u>298,594</u>	<u>580,029</u>	
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Miscellaneous revenues	2,031	-	2,031	
Interest income	202,013	-	202,013	
Interest expense	(341,869)	-	(341,869)	
Total nonoperating revenues (expenses)	<u>(137,825)</u>	<u>-</u>	<u>(137,825)</u>	
Change in net position	143,610	298,594	442,204	
Net position, beginning	56,548,780	-	54,984,245	
Net position, ending	<u>\$ 56,692,390</u>	<u>\$ 298,594</u>	<u>\$ 55,426,449</u>	

**FINANCIAL STATEMENTS - FORECASTED**

**City of Diamondhead, Mississippi**  
**Statement of Net Position – Government-Wide**  
**Forecasted as of September 30, 2022**

	<i>Governmental</i>	<i>Business-Type</i>	
<b>ASSETS</b>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash	\$ 7,137,401	\$ 8,306,915	\$ 15,444,316
Cash, restricted	169,109	2,264,238	2,433,347
Accounts receivable, net	-	698,587	698,587
Property tax receivable	4,183,140	-	4,183,140
Franchise tax receivable	76,434	-	76,434
Fines receivable (net of allowance for uncollectibles of \$373,858)	22,556	-	22,556
Prepaid expenses	71,122	76,803	147,925
Intergovernmental receivables	315,068	2,500,097	2,815,165
Inventory	-	81,909	81,909
Other assets	37,312	-	37,312
Capital assets:			
Nondepreciable capital assets	8,521,397	2,770,536	11,291,933
Depreciable capital assets, net	<u>47,024,856</u>	<u>48,731,682</u>	<u>95,756,538</u>
Total Assets	<u>67,558,395</u>	<u>65,430,767</u>	<u>132,989,162</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	315,086	487,041	802,127
Due to other governmental agencies	137,609	-	137,609
Accrued interest payable	9,062	143,499	152,561
Other payables & unearned fire fees	47,830	42,693	90,523
Long-term liabilities:			
Customer deposits	-	531,085	531,085
Compensated absences	28,165	-	28,165
Due within one year			
Capital debt	87,498	675,000	762,498
Due in more than one year			
Capital debt	<u>584,782</u>	<u>8,125,000</u>	<u>8,709,782</u>
Total Liabilities	<u>1,210,032</u>	<u>10,004,318</u>	<u>11,214,350</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	<u>4,183,140</u>	-	<u>4,183,140</u>
Total Deferred Inflows of Resources	<u>4,183,140</u>	-	<u>4,183,140</u>
<b>NET POSITION</b>			
Net investment in capital assets	54,873,973	42,702,218	97,576,191
Restricted for:			
General government	147,714	-	147,714
Public safety	1,208,600	206,024	1,414,624
Public works	24,840	12,518,207	12,543,047
Conservation of natural resources	(1,470)	-	(1,470)
Economic development	(1,332)	-	(1,332)
Unrestricted	<u>5,912,898</u>	-	<u>5,912,898</u>
Total Net Position	<u>\$ 62,165,223</u>	<u>\$ 55,426,449</u>	<u>\$117,591,672</u>

**City of Diamondhead, Mississippi**  
**Balance Sheet – Governmental Funds**  
**Forecasted as of September 30, 2022**

	<u>General Fund</u>	<u>Fire Department</u>	<u>Police Department</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash	\$ 5,494,873	\$ 1,099,986	\$ 14,567	\$ 542,542	\$ 7,151,968
Cash, restricted	63,847	82,961	-	22,301	169,109
Receivables:					
Property tax	3,253,140	930,000	-	-	4,183,140
Fines, net	22,556	-	-	-	22,556
Franchise tax	76,434	-	-	-	76,434
Due from other funds	458,879	-	-	-	458,879
Intergovernmental receivables	181,449	13,188	-	19,586	214,223
Prepaid expenses	62,094	9,028	-	-	71,122
Other assets	37,312	-	-	-	37,312
Total Assets	<u>\$ 9,650,584</u>	<u>\$ 2,135,163</u>	<u>\$ 14,567</u>	<u>\$ 584,429</u>	<u>\$ 12,384,743</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 311,160	\$ 144	\$ -	\$ 3,782	\$ 315,086
Intergovernmental payables	86,983	-	-	50,626	137,609
Due to other funds	-	-	-	458,879	458,879
Other payables	8,032	39,798	-	-	47,830
Total Liabilities	<u>406,175</u>	<u>39,942</u>	<u>-</u>	<u>513,287</u>	<u>959,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	3,253,140	930,000	-	-	4,183,140
Unavailable revenue - fines	22,556	-	-	-	22,556
Total Deferred Inflows of Resources	<u>3,275,696</u>	<u>930,000</u>	<u>-</u>	<u>-</u>	<u>4,205,696</u>
<b>FUND BALANCES</b>					
Restricted:					
General government	63,847	-	-	-	63,847
Public safety	-	1,165,221	-	22,301	1,187,522
Committed:					
Public works	-	-	-	51,643	51,643
Conservation of natural resources	-	-	-	(1,470)	(1,470)
Economic development	-	-	-	(1,332)	(1,332)
Unassigned	5,904,866	-	-	-	5,904,866
Total Fund Balances	<u>5,968,713</u>	<u>1,165,221</u>	<u>14,567</u>	<u>71,142</u>	<u>7,219,643</u>
Total Liabilities and Fund Balances	<u>\$ 9,650,584</u>	<u>\$ 2,135,163</u>	<u>\$ 14,567</u>	<u>\$ 584,429</u>	<u>\$ 12,384,743</u>

## City of Diamondhead, Mississippi

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Forecasted for the Year Ended September 30, 2022

	<i>General Fund</i>	<i>Fire Department</i>	<i>Police Department</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
<b>REVENUES</b>					
Property taxes	\$ 2,586,152	\$ 1,258,213	\$ 1,106,242	\$ -	\$ 4,950,607
General sales taxes	673,547	-	-	-	673,547
Franchise taxes	275,701	-	-	-	275,701
Road and bridge privilege taxes	384,627	-	-	-	384,627
Licenses, commissions and other revenue	124,439	-	-	-	124,439
Fines and forfeitures	69,996	-	-	-	69,996
Intergovernmental revenues	13,500	18,814	-	577,104	609,418
Charges for services	-	-	-	596,319	596,319
Interest	128,043	1,025	-	2,447	131,515
Other revenues	8,911	4,031	-	14,989	27,931
Total revenues	<u>4,264,916</u>	<u>1,282,083</u>	<u>1,106,242</u>	<u>1,190,859</u>	<u>7,844,100</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,292,005	-	-	-	1,292,005
Public safety	174,921	1,209,009	1,090,051	65,523	2,539,504
Public works	1,436,502	-	-	1,280,090	2,716,592
Culture and recreation	34,065	-	-	-	34,065
Conservation of natural resources	-	-	-	30,174	30,174
Economic development and assistance	69,870	-	-	19,607	89,477
Debt service:					
Capital lease	138,544	-	-	-	138,544
Interest	35,811	-	-	-	35,811
Total expenditures	<u>3,181,718</u>	<u>1,209,009</u>	<u>1,090,051</u>	<u>1,395,394</u>	<u>6,876,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,083,198</u>	<u>73,074</u>	<u>16,191</u>	<u>(204,535)</u>	<u>967,928</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	268,605	268,605
Transfers out	(268,605)	-	-	-	(268,605)
Insurance proceeds	843	-	-	-	843
Total other financing sources (uses)	<u>(267,762)</u>	<u>-</u>	<u>-</u>	<u>268,605</u>	<u>843</u>
Net change in fund balances	815,436	73,074	16,191	64,070	968,771
Fund balances, Beginning	<u>5,153,277</u>	<u>1,092,147</u>	<u>-</u>	<u>7,072</u>	<u>6,252,496</u>
Fund balances, Ending	<u>\$ 5,968,713</u>	<u>\$ 1,165,221</u>	<u>\$ 16,191</u>	<u>\$ 71,142</u>	<u>\$ 7,221,267</u>



**City of Diamondhead, Mississippi**  
**Statement of Net Position – Proprietary Fund**  
**Forecasted as of September 30, 2022**

*Combined Water  
and Sewer System*

**ASSETS**

Current assets:

Cash	\$ 8,306,915
Accounts receivable, net	698,587
Intergovernmental receivables	2,500,097
Prepaid expense	76,803
Inventory	81,909
Total current assets	<u>11,664,311</u>

Non-current assets:

Cash, restricted	2,264,238
Capital assets:	
Capital assets not being depreciated	2,770,536
Capital assets being depreciated, net	<u>48,731,682</u>
Total non-current assets	<u>53,766,456</u>
Total assets	<u>65,430,767</u>

**LIABILITIES**

Current Liabilities:

Accounts payable	309,094
Retainage payable	177,947
Interest payable	143,499
Payroll liabilities	22,849
Unearned revenue	19,844
Capital debt, current	<u>675,000</u>
Total current liabilities	<u>1,348,233</u>

Non-current liabilities:

Customer Deposits	531,085
Capital debt	<u>8,125,000</u>
Total non-current liabilities	<u>8,656,085</u>
Total liabilities	<u>10,004,318</u>

**NET POSITION**

Net investment in capital assets	42,702,218
Restricted	2,264,238
Unrestricted	<u>10,459,993</u>
Total net position	<u>\$ 55,426,449</u>

**City of Diamondhead, Mississippi**  
**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund**  
**Forecasted for the Year Ended September 30, 2022**

	<u>Combined Water and Sewer System</u>
<b>OPERATING REVENUES</b>	
Water use charges	\$ 1,502,144
Water service fees	49,334
Sewer use charges	<u>2,757,094</u>
Total operating revenues	<u>4,308,572</u>
<b>OPERATING EXPENSES</b>	
Personnel services	1,217,534
Insurance	88,026
Telephone and utilities	269,717
Repairs, maintenance and supplies	214,540
Legal and professional fees	120,281
Contract services	124,933
Office expense	16,506
Training & uniforms	8,145
Dues and subscriptions	2,887
Bad debt expense	(932)
Depreciation expense	<u>1,666,906</u>
Total operating expenses	<u>3,728,543</u>
Operating income (loss)	<u>580,029</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenues	2,031
Interest income	202,013
Interest expense	<u>(341,869)</u>
Total nonoperating revenues (expenses)	<u>(137,825)</u>
Change in net position	442,204
Net position, beginning	<u>54,984,245</u>
Net position, ending	<u>\$ 55,426,449</u>

**City of Diamondhead, Mississippi**  
**Statement of Cash Flows – Proprietary Fund**  
**Forecasted for the Year Ended September 30, 2022**

	<i>Combined Water and Sewer System</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 4,113,440
Cash payments for personnel services	(1,470,091)
Cash payments to suppliers for goods or services	<u>(1,123,530)</u>
Net cash provided (used) by operating activities	<u>1,519,819</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Other non-operating income (expense)	<u>2,031</u>
Net cash provided (used) by non-capital financing activities	<u>2,031</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal payments on debt	(605,000)
Interest paid on debt	(353,477)
Acquisition, disposal, and construction of capital assets	<u>(2,155,272)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,113,749)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from interest income	<u>202,013</u>
Net cash provided (used) by investing activities	<u>202,013</u>
Net increase (decrease) in cash	(1,389,886)
Cash at beginning of year	<u>11,961,039</u>
Cash at end of year	<u>\$ 10,571,153</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Net operating income	\$ 281,435
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,666,906
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(196,896)
(Increase) decrease in inventory	19,041
(Increase) decrease in other assets	(25,681)
Increase (decrease) in accounts payable	(251,936)
Increase (decrease) in retainage payable	15,885
Increase (decrease) in unearned income	(207)
Increase (decrease) in customer deposits	1,971
Increase (decrease) in payroll liabilities	7,594
Increase (decrease) in compensated absences	<u>1,707</u>
Net cash provided (used) by operating activities	<u>\$ 1,519,819</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies**

These forecasted financial statements of the City of Diamondhead, Mississippi were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant accounting policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

As with all prospective engagements, the preparation of these financial statements included significant estimates about the City's future. The intent of these statements is to show the potential impact of a consolidation of the Fire District and Water & Sewer District with the City of Diamondhead. Additionally, we are presenting changes we expect to occur if the City were to stop participating in the policing interlocal agreement with the Sheriff's Department.

These notes to the financial statements include excerpts from the audits of the City of Diamondhead, Diamondhead Fire Protection District and Diamondhead Water & Sewer District. Original audits can be obtained by contacting these entities.

*Reporting Entities*

The City of Diamondhead was incorporated January 20, 2012 under the laws of the State of Mississippi. The City is a municipal corporation governed by a five-member council and mayor. Diamondhead operated 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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing council. 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 can exercise oversight responsibilities.

The Diamondhead Fire Protection District (the District), at the time of this report, is a component unit of Hancock County, Mississippi and was formed as a political body under the laws of Mississippi 19-5-175 of the Mississippi Code of 1972. These laws allow the District to charge a fee for its services. The District serves the citizens of Diamondhead with fire protection, search and rescue, and CPR training and awareness.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

The Diamondhead Water and Sewer District is a special-purpose government, being a body politic of Hancock County, Mississippi. The District was created under authority of the Legislature of the State of Mississippi, Code Sections 19-5-151 through 19-5-207, by the Hancock Board of Supervisors. The District was created for the purposes of providing water, sewer and related services to an area generally located in and around Diamondhead, Mississippi. This reporting entity, which is classified as an enterprise fund, issues its own financial statements. The District is principally an autonomous body. Commissioners are appointed by the City of Diamondhead, Mississippi. The District is wholly responsible for its own funding through user fees, management and fiscal policy making functions.

*Basis of Presentation*

The forecasted financial statements consist of a government-wide Statement of Net Position, fund financial statements and accompanying note disclosures, which provide a detailed level of financial information. In addition, we included statements to show the impact of consolidation and the changes the City can expect to see.

Government-wide Financial Statements:

The Statement of Net Position displays information concerning the City as a whole. The statement includes all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. For the purpose of the forecast, the Statement of Activities was not included.

Fund Financial Statements:

Fund financial statements 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues, and expenditures/expenses. Funds are organized into governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds. No fiduciary funds were reported for the purpose of the forecast.

*Measurement Focus and Basis of Accounting*

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

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Measurement Focus and Basis of Accounting (continued)*

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred.

Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset is used, regardless of the timing of the related cash flows. Shared revenues are recognized when the provider government recognized the liability to the District. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

State appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Normally the City reports only the General Fund as a major Governmental Fund, however for the purpose of the forecast we are segregating the following:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Fire Department – This reflects the activities of the fire department. On a normal basis the fire department would not be in a separate fund, nor would it be listed separately on the face of the financial statements.

Police Department – This reflects the activities of the police department. On a normal basis the police department would not be in a separate fund, nor would it be listed separately on the face of the financial statements.

Additionally, the City could report the following fund types:

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue resources 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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Measurement Focus and Basis of Accounting (continued)*

**PROPRIETARY FUND TYPE**

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

Water Fund – This fund accounts for operations of the water department that is financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing water services to the residents of the District on a continuing basis be financed or recovered primarily through user charges.

Sewer Fund – This fund accounts for operations of the sewer department that is financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing sewer services to the residents of the District on a continuing basis be financed or recovered primarily through user charges.

Public Assistance Fund – This fund is used to account for grant income and associated construction expenses for the on-going projects of the District. Once a project is completed the asset is reclassified to the department for which the construction was done.

**FIDUCIARY FUND TYPE**

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

*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.

*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 in any governmental securities during the fiscal year.

*Receivables*

Receivables are reported net of allowances for uncollectible accounts, where applicable. The estimated uncollectible allowance amount is based on the aging of receivables, historical collection experience, and other relevant circumstances.



**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*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.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

*Inventories and Prepaids*

Inventories in the Proprietary Funds 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 the government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Fiduciary Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

*Restricted Assets*

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

*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 or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available.

Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. 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.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Capital Assets (continued)*

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life (years)
Land	\$ -	N/A
Infrastructure	-	20
Buildings	10,000	40
Improvements other than buildings	5,000	20
Mobile equipment	1,000	5-10
Furniture and equipment	1,000	5-10
Leased property under capital leases	*	*

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net 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(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue – property tax (Property taxes for future reporting period): Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

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

*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 insurances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Equity Classifications (continued)*

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

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 “net investment in capital assets.”

Net Position Flow Assumption – When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund Balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. The following are descriptions of fund classifications used by the City:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund. Currently, there are no nonspendable fund balances.

*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 Council is the highest level of decision-making authority of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City 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.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 1: Summary of Significant Accounting Policies (continued)**

*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.

*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.

*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.

The City's policy on vacation leave allows employees to accrue vacation time based on a certain accrual rate per pay period once that employee has had one year of continuous service for the City. There are no restrictions on when the employees are allowed to take their vacation time. Retiring and voluntarily terminating employees can be paid for up to 15 days of unused vacation. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, or layoff. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. In fund financial statements, governmental funds report the compensated absences liability payable only if the payable has matured, for example, as a result of employee resignations and retirements or use of vacation time.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2019. The resulting liability is then increased to include payroll taxes that the City is required to pay upon liquidation of the liability.

*Use of Estimates*

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

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 2: Cash**

*Primary Government*

The carrying amount of the City’s total deposits with financial institutions at September 30, 2019, was \$17,802,496. The collateral for public entities’ deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**Note 3: Receivables**

Receivables for the City would typically look as follows:

**Governmental Activities:**

	<i>Amount</i>
Taxes Receivable	
Property tax receivable	\$ 4,183,140
Franchise tax receivable	76,434
Total Taxes Receivable	4,259,574
Court Fines Receivable	
Fines receivable	396,414
Less: allowance for doubtful accounts	(373,858)
Total Court Fines Receivable	22,556
Intergovernmental Receivables	
Due from state	133,748
Due from federal and local governments	181,320
Total Intergovernmental Receivables	315,068
Total Receivables - Governmental Activities	\$ 4,597,198

**Business-type Activities:**

Intergovernmental receivables	\$ 2,500,097
Accounts receivable	
Customer accounts receivable	881,736
Less: allowance for doubtful accounts	(183,149)
Total accounts receivable	698,587
Total Receivables - Business-type Activities	\$ 3,198,684

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 4: Interfund Transactions and Balances**

Interfund activity was not projected as part of this forecast.

**Note 5: Capital Assets**

	<i>Balance Beginning</i>	<i>Additions</i>	<i>Reductions</i>	<i>Adjustments/ Transfers</i>	<i>Balance Ending</i>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 8,325,954	\$ -	\$ -	\$ -	\$ 8,325,954
Construction in progress	<u>195,443</u>	-	-	-	<u>195,443</u>
Total capital assets, not being depreciated	<u>8,521,397</u>	-	-	-	<u>8,521,397</u>
Capital assets, being depreciated					
Infrastructure	63,453,798	-	-	-	63,453,798
Building and improvements	2,530,660	-	-	-	2,530,660
Improvement other than buildings	1,030	-	-	-	1,030
Mobile equipment	2,790,861	-	-	-	2,790,861
Furniture and equipment	<u>455,098</u>	-	-	-	<u>455,098</u>
Total capital assets, being depreciated	<u>69,231,447</u>	-	-	-	<u>69,231,447</u>
Less accumulated depreciation for:					
Infrastructure	16,633,994	2,235,564	-	-	18,869,558
Building and improvements	689,966	60,987	-	-	750,953
Improvement other than buildings	202	52	-	-	254
Mobile equipment	1,744,736	215,874	-	-	1,960,610
Furniture and equipment	<u>587,532</u>	<u>37,684</u>	-	-	<u>625,216</u>
Total accumulated depreciation	<u>19,656,430</u>	<u>2,550,161</u>	-	-	<u>22,206,591</u>
Total capital assets, being depreciated, net	<u>52,125,178</u>	<u>(2,550,161)</u>	-	-	<u>47,024,856</u>
Governmental activities capital assets, net	<u>\$60,646,575</u>	<u>\$ (2,550,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,546,253</u>

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
General government	\$ 75,733
Public safety	102,608
Public works	2,356,896
Culture and recreation	<u>14,924</u>
	<u>\$ 2,550,161</u>

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 5: Capital Assets (continued)**

	<i>Balance Beginning</i>	<i>Additions</i>	<i>Reductions</i>	<i>Adjustments/ Transfers</i>	<i>Balance Ending</i>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 536,818	\$ -	\$ -	\$ -	\$ 536,818
Construction in progress	2,233,718	-	-	-	2,233,718
Total capital assets, not being depreciated	2,770,536	-	-	-	2,770,536
Capital assets, being depreciated					
Building and improvements	497,869	-	-	-	497,869
Mobile equipment	791,416	-	-	-	791,416
Furniture and equipment	1,009,883	-	-	-	1,009,883
Sewer system and easements	53,456,441	-	-	-	53,456,441
Water system and easements	7,116,283	-	-	-	7,116,283
Total capital assets, being depreciated	62,871,892	-	-	-	62,871,892
Less accumulated depreciation for:					
Building and improvements	391,694	15,421	-	-	407,115
Mobile equipment	767,023	54,447	-	-	821,470
Furniture and equipment	834,549	34,549	-	-	869,098
Sewer system and easements	6,995,249	1,343,237	-	-	8,338,486
Water system and easements	3,473,432	230,609	-	-	3,704,041
Total accumulated depreciation	12,461,947	1,678,263	-	-	14,140,210
Total capital assets, being depreciated, net	50,409,945	(1,678,263)	-	-	48,731,682
Business-type activities capital assets, net	\$53,180,481	\$(1,678,263)	\$ -	\$ -	\$ 51,502,218

Depreciation expense was charged to the following functions:

<b>Business-type Activities:</b>	
Public works	1,678,263
	\$ 1,678,263

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 6: Claims and Judgments**

*Risk Financing*

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

The City is exposed to 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.

**Note 7: Capital Leases**

As Lessee:

The City will be obligated for the following capital assets acquired through capital leases:

<u>Class of Property</u>	<u>Governmental Activities</u>
Building and grounds, City Hall	2,234,408
Less: accumulated depreciation	<u>(349,339)</u>
Leased property under capital lease	<u><u>1,885,069</u></u>

**Note 8: Long-term Debt**

Debt outstanding will be as following:

	<u>Original Amount</u>	<u>Balance</u>	<u>Maturity</u>	<u>Interest Rate</u>
<b>Governmental Activities</b>				
City Hall Capital Lease	\$ 1,286,415	\$ 672,280	2029	3.09%
<b>Business-type Activities</b>				
Revenue Bonds, Series 2012	<u>14,200,882</u>	<u>8,800,000</u>	2032	3.14%
<i>Total Outstanding Debt</i>	<u><u>\$ 15,487,297</u></u>	<u><u>\$ 9,472,280</u></u>		



**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 8: Long-term Debt (continued)**

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

<b>Governmental Activities</b> Year Ending September 30,	<i>Capital Lease</i>	
	<i>Principal</i>	<i>Interest</i>
2023	87,498	20,773
thereafter	<u>584,782</u>	<u>64,847</u>
Total	<u>\$ 672,280</u>	<u>\$ 85,620</u>

<b>Business-type Activities</b> Year Ending September 30,	<i>Revenue Bond, Series 2012</i>	
	<i>Principal</i>	<i>Interest</i>
2023	675,000	281,425
thereafter	<u>8,125,000</u>	<u>1,404,488</u>
Total	<u>\$ 8,800,000</u>	<u>\$ 1,685,913</u>

*Capital Leases*

On July 22, 2014, the City acquired its City Hall buildings and grounds through a capital lease 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 these agreements, rental and additional rental payments made by the City are paid directly to Hancock Bank as repayment of Southern Mississippi Investment Co, Inc.'s loan.

*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. Currently the City's legal debt margin would be approximately \$16M.

*Change in Debt*

<b>Governmental Activities</b>	<i>Beginning</i>		<i>Payments</i>	<i>Ending</i>	<i>Due Within</i>
	<i>Balance</i>			<i>Additions</i>	<i>Balance</i>
Capital leases	\$ 821,949	\$ -	\$ (149,669)	\$ 672,280	\$ 87,498
Compensated absences	<u>43,253</u>	<u>9,972</u>	<u>(17,028)</u>	<u>36,197</u>	<u>8,032</u>
Governmental activities long-term liabilities	<u>\$ 865,202</u>	<u>\$ 9,972</u>	<u>\$ (166,697)</u>	<u>\$ 708,477</u>	<u>\$ 95,530</u>
<b>Business-type Activities</b>					
Revenue Bonds, Series 2012	\$ 9,460,000	\$ -	\$ (660,000)	\$ 8,800,000	\$ 675,000
Business-type Activities long-term liabilities	<u>\$ 9,460,000</u>	<u>\$ -</u>	<u>\$ (660,000)</u>	<u>\$ 8,800,000</u>	<u>\$ 675,000</u>

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 8: Long-term Debt (continued)**

*Consolidation*

The City will likely have to refund or decrease the revenue bond issued by the Water & Sewer District. We advise caution to ensure the legal debt margin is not exceeded. However, given that the Water & Sewer District has over \$10M in cash, the City could likely issue a smaller bond to meet the Water & Sewer needs of the residents.

**Note 9: Deficit Fund Balances of Individual Funds**

We are not reporting fund balance deficits in this forecast.

**Note 10: Commitments and 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 since such estimates cannot be made.

*Litigation*

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

The City has been named defendant in various lawsuits seeking unspecified damages for incidents. The City maintains a liability insurance coverage that it believes would cover any judgement against the City up to a limit of \$1,000,000 with a deductible of \$5,000 for each wrongful act. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

*Operating Lease Commitments*

Historically the City had the following operating lease agreements:

- In July 2014, the City entered into a lease agreement for a copier located at the Police Department. The lease agreement was for sixty (60) months with payments of \$84 per month. A twenty-four (24) month extension was granted in May 2019 with payments of \$42 per month.
- In August 2014, the City entered into a lease agreement for a copier located at the Purchasing Department Office. The lease agreement is for sixty (60) months with payments of \$84 per month. A twenty-four (24) month extension was granted in May 2019 with payments of \$42 per month.
- In February 2017, the City entered into a lease agreement for a copier located at the City Hall. The lease agreement is for sixty (60) months with payments of \$187 per month.
- In April 2017, the City entered into a lease agreement for a copier located at the Public Works office. The lease agreement is for sixty (60) months with payments of \$82 per month.
- In October 2018, the City entered into a lease agreement for a copier located at the Building Department Office. The lease agreement is for sixty (60) months with payments of \$281 per month.

**Note 10: Commitments and Contingencies (continued)**

*Interlocal Agreements and Service Contracts*

Tax Collection Services

In February 2012, the City entered into an interlocal agreement with Hancock County, Mississippi (County), whereby the County Tax Collector will provide real, personal, and auto ad valorem property taxes collection services for the City. The terms of the agreement include automatic annual renewal. The agreement can be terminated by either party by written notification. Under the terms of the agreement, the County Tax Collector will retain 2% of gross collections as commission, not to exceed \$40,000 per year.

Delinquent Taxes Collection Services

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 agreement, the County Chancery Clerk will be paid \$10 per parcel for cost incurred.

Solid Waste Fees Collections 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, 2014 and automatically renews annually. The agreement can be terminated by either party.

Solid Waste Collections

Currently, the City's solid waste collections are provided through a contract between Hancock County Regional Solid Waste Authority (Authority) and Waste Management of Mississippi, Inc. (Contractor). Under the terms of the contract, the Contractor will collect, haul, and dispose of solid waste generated by the City's residents. 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 11: No Commitment Debt (Not Included in Financial Statements)**

No commitment debt is repaid only by the entities for whom debt was issued and includes debt that either bears the City's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the City other than possibly an agreement to assist creditors in exercising their rights in the event of default. As of the date of this report, the City has not identified any such debt.

**Note 12: Jointly Governed Organizations**

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**  
**Forecasted for the Period Ending September 30, 2022**

**Note 13: Deferred Compensation Plan**

*Plan Description*

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 Mississippi Deferred Compensation Plan is a supplementary retirement savings plan. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

*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. The City contributed \$31,838 to the deferred compensation plan for the fiscal year ended September 30, 2019.

*Changes as a Result of Consolidation, Cost Assuming the City Adopts the PERS Retirement System*

The Mayor and City Council requested we calculate the cost of joining the Public Employee Retirement System (PERS). Our estimate is as follows:

<u>Department</u>	<u>Wages</u>	<u>PERS Contribution</u>	<u>403(b) Contribution</u>	<u>Annual Increase</u>
City Council	\$ 40,000	\$ 6,960	\$ -	\$ 6,960
Court	103,165	17,951	6,661	11,290
General Administration	332,226	57,807	24,453	33,354
Planning & Zoning	138,122	24,033	11,050	12,983
Public Works	531,562	92,492	42,525	49,967
	<u>\$ 1,145,075</u>	<u>\$ 199,243</u>	<u>\$ 84,689</u>	<u>\$ 114,554</u>
Police Department	\$ 623,120	\$ 108,423	\$ 49,650	\$ 58,773
Fire Department	\$ 799,349	\$ 139,087	\$ 62,010	\$ 77,077
Water & Sewer Department	\$ 904,831	\$ 157,441	\$ 71,686	\$ 85,755
		<u>\$ 604,193</u>	<u>\$ 268,034</u>	<u>\$ 336,159</u>

For the purposes of this analysis, the 403(b) participation is assumed to be 100%. If employees elect not to participate, the savings would be greater. Using our forecasted salaries, we projected the total cost to be the lesser of 8% or \$5,000. If the City were to adopt PERS, the cost would be 17.4% of each employee's salary.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 14: Fire Department – Charges for Services**

For the fiscal year ending September 30, 2019, the Diamondhead Fire Protection District collected \$1,333,197 in charges for services. The fees are necessary to support Diamondhead’s two fire stations, because the current tax assessment only generates approximately \$320,000 annually. The Fire District operates with an annual budget of \$1,500,000.

*Fire Fees Receivable*

The Diamondhead Fire Department operates as an enterprise fund. They charge customers (the residents of Diamondhead) and provide fire services in return. Residents currently pay \$275 annually for the services. As a result of this type of operation, administrative staff is necessary to track collections and receivables. Once consolidated the receivables owed would likely stay with the Diamondhead Fire Protection District, which as of the date of this report has over \$400,000 in doubtful and uncollectible accounts. This burden will not transfer with the consolidation and most residents would pay less than \$275 per year.

*Intergovernmental Receivable*

If the Diamondhead Fire District is dissolved and the City establishes a municipal fire district, the fire department would be supported through the City’s tax levy. The value of a city mill, as of the date of this report, is \$93,000. It is worth noting that the City would have to levy enough mills to support the entire Fire Department budget because the County would no longer levy for the District. The intergovernmental receivable would still be collected, but it would be part of the assessment and settlement process from the Hancock County Tax Collector’s office. The taxes would be receipted to the general fund.

**Note 15: Fire Department – Public Employees Retirement System**

The City of Diamondhead currently does not participate in the Public Employees Retirement System (PERS), the Fire District does. Per Council request, this study reflects changes that would occur if the Fire Department were to be consolidated without PERS.

*Net Pension Liability and Deferred Inflows/Outflows of Resources*

As of September 30, 2019, the Fire District recognized a net pension liability of \$2,286,957. This is an actuarial estimate of the total the District will pay to employees through their lifetimes. Some of this obligation could fall to the City, as the District will no longer exist. The future obligation is impossible to determine as it is based on each retiree’s lifespan. The City currently has a Defined Contribution Retirement Plan, meaning once consolidated, the City will not have to recognize a Net Pension Liability. The City could face a long-term liability if the District’s participation does not cover the life-time benefits of its employees. The City could plan for this possibility by setting up a contingency or sinking fund.

*Pension Expense*

As of the date of this report the PERS employer rate is 17.4%. In other words, the Fire District matches and pays 17.4% of every employee’s salary to PERS. In 2019, the Fire Department paid approximately \$135,000 in contributions to PERS.

The City’s retirement plan allows for a match up to 8% of an employee’s salary but is capped at \$5,000 per employee. Participation in the plan is optional.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 16: Fire Department – Wages and Benefits**

*Compensated Absences*

The Fire District has \$43,972 in accumulated leave balances that will have to be paid to employees upon dissolution. Firemen will be treated as new employees with the City of Diamondhead and their leave will start at \$0.

*Wages & Health Insurance*

The Fire District currently budgets for the following positions:

- Fire Chief
- Administrative Assistant (2)
- Deputy Chief
- Captain / EMT (3)
- Lieutenant (3)
- Driver /Engineer
- Firefighter /EMT (3)
- Firefighter (5)

Once consolidated and the burden of billing and collecting on accounts has been transferred to the Tax Collector and City Administration, the two administrative assistant positions can be either eliminated or reassigned. In addition, since Firemen will be losing approximately 9.4% of their compensation, we added a wage increase to offset the difference. We estimate the savings from these changes to be approximately \$54,000.

Additionally, the District's current health insurance plan appears to be higher than the City's plan. Adding the firemen to the City's plan will save approximately \$25,000.

*Payroll Taxes*

The savings from payroll taxes would be approximately 7.65% of the wage reduction.

**Note 17: Fire Department – Administrative Cost & Depreciation**

*Administrative Cost & Professional Fees*

The Fire District, being a special-purpose government, is required to have an annual audit, legal counsel and likely pays per diem to its commissioners. We estimate the following savings could be achieved:

- Annual audit – \$12,000
- Legal counsel – \$9,000
- Per diem – \$2,400 (eliminates the 5-member board)

The above estimates are net of likely increases that will be incurred by the City.

*Depreciation & Change in Presentation*

As previously stated, the Fire District operates as a proprietary fund, whereas a city fire department will operate as a public safety component under the City's General Fund. This distinction will change the presentation and reporting of the Fire Department's financial activity. Governmental funds are resource based, they are much closer to cash and/or budget basis. Accounts such as depreciation and compensated absences will not be reported with the Fire Department. This is not a savings; it is merely a change in reporting method.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 18: Police Department – Wages & Benefits**

The Hancock County Sheriff’s Department provides policing services to the City of Diamondhead via an interlocal agreement. The agreement gives the City a means to pay the salaries of certified law enforcement officers who are employees of the Sheriff’s office. In essence, the Police Department is already incorporated into the City and is funded with City millage. The purpose of this presentation is to show the potential impact of eliminating the interlocal agreement.

*Personnel & Wages*

At a minimum, the City will need to add a chief and deputy chief; and likely a second investigator, and two part-time officers. We estimate the cost to do so to be approximately \$201,000. The City will probably see a reduction in overtime because of the new hires, but we expect overtime to remain above \$50,000 a year.

Below is a comparison of the Diamondhead and Waveland Police Department rosters and our estimated changes:

<u>Position</u>	<u>City of Waveland</u>	<u>City of Bay St. Louis</u>	<u>City of Pass Christian</u>	<u>City of DH</u>	<u>City of DH Proposed</u>	<u>Increase in Salaries</u>
Chief	1	1	1	-	1	\$ 65,000
Deputy Chief	-	1	1	-	-	-
Asst Chief	1	-	-	-	1	55,000
Detective Lieutenant	-	1	-	-	-	-
Patrol Commander	-	-	1	-	-	-
Patrol Lieutenant	-	1	-	-	-	-
Detective Sargeant	-	2	-	-	-	-
Detective (CID)	-	1	-	-	-	-
Detective (DEA-HIDTA)	-	1	-	-	-	-
Detective (SO-NARC)	-	1	-	-	-	-
Dispatch Supervisor	-	-	1	-	-	-
Dispatcher	-	-	4	-	-	-
Sargeant	-	5	4	-	-	-
SRO Sargeant	-	-	1	-	-	-
Chief Investigator	1	-	1	-	-	-
Narcotics	1	-	-	-	1	35,000
Captain	-	-	-	1	-	(45,000)
Lieutenant	1	-	-	2	2	-
Officer	12	15	8	8	8	-
School Resource Officer (SRO)	-	-	2	-	-	-
Investigator	3	-	3	1	2	45,000
Administrative	1	-	1	1	1	30,000
Officer PT	7	-	-	-	2	16,000
Bailiff PT	1	-	-	-	-	-
Animal Control	1	1	1	-	-	-
Clerk	-	1	-	-	-	-
	<u>30</u>	<u>31</u>	<u>29</u>	<u>13</u>	<u>18.0</u>	<u>\$ 201,000</u>

*Public Employees Retirement System*

As with the Fire Department, the Sheriff’s Department also participates in PERS. The Sheriff’s department pays approximately \$95,532 in contributions to PERS for the Diamondhead officers. If the City were to end the interlocal agreement and hire its own officers, the new personnel would be added to the City’s retirement system. We estimate a savings of \$43,082.

**City of Diamondhead, Mississippi**  
**Notes to the Financial Statements**  
**Forecasted for the Period Ending September 30, 2022**

**Note 18: Police Department – Wages & Benefits (continued)**

*Health Insurance*

Considering the increase in personnel, the City will likely see an increase in health insurance as well. If the personnel roster were increased to 17 positions, the City would see an increase of approximately \$33,478 in health insurance benefits.

**Note 19: Police Department – Administrative Costs**

Although it is impossible to forecast the exact impact on administrative cost, we feel the following will likely increase:

- Fuel and uniforms – If new personnel are added, the City will have more vehicles to fuel and uniforms to purchase.
- Training – When comparing to other police departments, we suspect Diamondhead benefits from a lower-than-normal training budget. The Sheriff’s office is likely covering a large portion of training costs as it is required by the Sheriff’s Department for their deputies.
- Capital outlay – The City will have to continually budget for fleet rotation and updated equipment. We recommend the City purchase one or two patrol cars each year so the entire fleet will be rotated every 6 to 7 years. In addition, funding will be necessary for major repairs and accidents.

We must also consider the economies of scale that is achieved by the interlocal agreement. For example, the Sheriff’s office provides personnel management services that would otherwise fall on a police chief or city manager. When an officer resigns or leaves service the City does not have to seek and hire new personnel, the Sheriff’s office does, and the City gets a replacement almost immediately.

**Note 20: Water & Sewer District – Wages & Benefits**

*Compensated Absences*

The Diamondhead Water & Sewer District has a compensated absences liability of approximately \$103,000. Upon dissolution the balances will have to be paid to the employees. District personnel will be considered new employees, and their leave balance will start a \$0.

*Personnel*

The Water & Sewer District currently has the following positions:

- General Manager
- Comptroller
- Office Manager
- Part-Time Projects
- Billing Supervisor
- Office Assistant (2)
- Operations Manager
- Plant Supervisor
- Waste Water Operator II
- Water Operator I
- Lift Station Technician
- CCTV Supervisor
- Maintenance Supervisor
- Maintenance II (3)
- Maintenance I (7)



**Note 20: Water & Sewer District – Wages & Benefits (continued)**

Once consolidated, the Water & Sewer District will remain an enterprise fund and will likely need most of the current personnel to continue the same level of service. However, the City would likely move the operations under the Public Works Director and move the accounting to the City’s current Comptroller. This would eliminate duplicate positions and reduce the City’s cost by approximately \$165,000, plus taxes and benefits.

*Health Insurance*

Based on the information provided, the District appears to pay for a large portion of employee and family health benefits. In fiscal year 2019 the District paid \$308,409 in health insurance for its employees. If the District were consolidated with the City, employees would join the City’s plan, which we estimate would be \$162,749, a total savings of \$145,660.

*Retirement Plan*

The District appears to have a retirement plan similar to the City (a defined contribution plan), however we did not receive any specific information about the plan. Based on historical figures we calculate the cost of adding District employees to the City to be \$9,116 higher than the District currently pays.

**Note 21: Water & Sewer District – Administrative & Professional Cost**

Naturally, the consolidation would eliminate certain duplicated services. We estimate the following savings:

- Legal and professional fees – The District has legal counsel that receives a monthly retainer and pays for an annual audit. While both services will continue in some form under the City, we estimate a reduction in cost of approximately \$28,000.
- Commissioner per diem – These fees would be eliminated and save the City approximately \$8,700. The District has five board members.

**City of Diamondhead, Mississippi**  
**Conclusions**  
**Forecasted for the Period Ending September 30, 2022**

The following is a summary of key points we wish to bring to the City's attention:

Fire Department:

- A conversion from the fire fee (income) method currently operated by the Fire District to a millage-based method would be revenue neutral to the City, however, with identified savings most taxpayers would see a reduction in total yearly cost.
- The City would levy a total of 14 mills to support a Fire Department. Residents whose home values are less than \$200,000 would see a net savings up to \$100 per year or more.
- Changing to millage would tax all classes of property in the City which would generate more revenue per mill than the current fire district assessment. We used 14 mills to give the City enough surplus to meet capital expenditure needs.
- The largest cost savings would be in the Public Employee Retirement System (PERS), estimated at \$195,640 per year. However, the City should establish a contingency or sinking fund to offset any possible future cost related to life-time retirement benefits not funded by the District.
- Two administrative positions could be eliminated once billing and collection operations are ceased.
- The employees of the Fire District have over \$40,000 in accumulated leave balances and would have to be compensated by the District for the time. The City cannot grant them the same amount of leave at their start date. However, if the City wants to offer the same yearly accrual they currently have, a policy can be made to do so.
- We estimated a reduction in total expenditures to be over \$300,000 (including depreciation, etc.). The reduction in total disbursements is estimated to be greater than \$180,000.

Police Department:

- We estimate a net increase in cost of approximately \$216,191 if the City were to cease its participation in the inter-local agreement with the Sherriff's Department.
- At a minimum, the City will have to add a Chief, Assistant Chief, Investigator and two part-time Officers.
- We estimate a savings in retirement cost of approximately \$45,882 by moving policy to the City's retirement system.
- The City likely benefits from shared expenses with the Sheriff's department, such as training, fuel, uniforms, liability insurance and capital outlay. We estimated a minimum increase of \$40,000.

Water & Sewer District:

- The Water & Sewer District is self-supported with usage fees. No millage increase would be necessary to consolidate the District.
- For the purposes of this forecast, we took the conservative approach in our cost savings estimate by only showing a reduction in duplicate positions and professional services. When factoring savings in software licensing, equipment cost and interest expense, the total savings would likely exceed \$600,000.
- The City's current Public Works Director and Comptroller would assume the roles of the District's General Manager and Comptroller. We estimate a payroll savings greater than \$125,000.
- When comparing the City's health insurance policy to the total paid to District employees, we estimate a reduction in employee benefits of more than \$145,000.
- The District has a revenue bond that will have to be refunded and/or reassigned to the City. With its pooled resources the City could cut interest expense and reduce the cost of the bond. The District has over \$8M in cash that could be pooled with the City's \$5M to accomplish this.
- The City could handle solid waste collection inhouse by adding it to the water and sewer bill, this would save approximately \$40,000 yearly.

**City of Diamondhead, Mississippi**  
**Sources of Information**  
**Forecasted for the Period Ending September 30, 2022**

We obtained the following information to prepare this forecast:

Fire District:

- Audited Financial Statements, 2018 and 2019
- Trial Balance, 2018 and 2019
- Personnel Roster
- Salaries by Position
- Approved Budget, 2019 and 2020
- Asset Schedule

Police Department:

- Personnel Roster, City of Diamondhead
- Trial Balance, 2019, City of Diamondhead
- Personnel Roster, City of Waveland, City of Pass Christian, City of Bay St. Louis
- Budget, City of Waveland, City of Bay St. Louis
- General Ledger, City of Diamondhead, City of Waveland
- Budget vs Actual, City of Bay St. Louis

Water & Sewer District:

- Audited Financial Statements, 2019
- Trial Balance, 2018 and 2019, YTD 2020
- Organization Chart
- GL Detail Listing, 2019 and YTD 2020
- Salaries by Position
- Insurance Premiums by Position