

CITY OF WIGGINS, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004



**CITY OF WIGGINS, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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INTRODUCTORY SECTION

**CITY OF WIGGINS, MISSISSIPPI
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER, 30 2004**

		<u>Term Expiration</u>
Mayor		
Ferris B. O'Neal		6/30/05
Jerry Alexander		6/30/09
Alderspersons		
Raymond D. Collins	Aldersperson – At Large	6/30/05
Mike Cain	Aldersperson – At Large	6/30/09
Darrell Berry	Ward 1	6/30/05
Donna Rouse	Ward 2	6/30/05
Ronnie Purvis	Ward 3	6/30/05
Bill Prout	Ward 3	6/30/09
Thomas E. Hall	Ward 4	6/30/05
City Clerk		
Teresa J. Ladner		None Stated

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

January 6, 2006

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wiggins, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the City of Wiggins, Mississippi's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Wiggins, Mississippi. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Wiggins, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City of Wiggins, Mississippi adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, for the year ended September 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2006 on our consideration of the City of Wiggins, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in assessing the results of our audit.

January 6, 2006
Mayor and Board of Alderpersons
City of Wiggins, Mississippi

The budgetary comparison information on pages 33 through 34 is not a required part of the basic financial statements but is considered supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Wiggins, Mississippi, has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wiggins, Mississippi's basic financial statements. The accompanying introductory section and schedule of surety bonds for City officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the schedule of surety bonds for City officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 802,851	\$ 52,123	\$ 854,974
Receivables, net of allowance for uncollectibles:			
Franchise taxes	76,883	-	76,883
Property taxes	4,606	-	4,606
Accounts	-	69,989	69,989
Due from other governments:			
Sales tax	218,414	-	218,414
Other	100,865	2,911	103,776
Prepaid expenses	11,879	3,128	15,007
Restricted assets:			
Cash and cash equivalents	-	41,970	41,970
Capital assets:			
Land and construction in progress	919,377	11,128	930,505
Other capital assets, net of depreciation	814,101	2,235,695	3,049,796
	<u>2,948,976</u>	<u>2,416,944</u>	<u>5,365,920</u>
LIABILITIES			
Accounts payable	87,310	38,901	126,211
Accrued liabilities	-	1,097	1,097
Other liabilities	24,168	-	24,168
Current maturities of notes payable	53,381	-	53,381
Current maturities of capital leases payable	110,052	9,559	119,611
Compensated absences	13,192	4,563	17,755
Due to other entities	148,871	-	148,871
Payable from restricted assets:			
Customer deposits	-	29,970	29,970
Accrued interest	8,780	77	8,857
Current maturities of revenue bonds payable	-	8,258	8,258
Notes payable, net of current maturities	208,619	-	208,619
Capital leases payable, net of current maturities	194,106	12,241	206,347
Revenue bonds payable, net of current maturities	-	82,489	82,489
	<u>848,479</u>	<u>187,155</u>	<u>1,035,634</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,167,320	2,225,023	3,392,343
Restricted for:			
Bond indenture	-	3,655	3,655
Unrestricted	933,177	1,111	934,288
	<u>1,100,497</u>	<u>2,229,789</u>	<u>3,330,286</u>
Total net assets	<u>\$ 2,100,497</u>	<u>\$ 2,229,789</u>	<u>\$ 4,330,286</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 388,017	\$ 324,771	\$ 81,224	\$ 48,352	\$	\$ 48,352
Public safety	1,025,571	95,290	-	(902,085)	-	(902,085)
Public works	53,681	7,915	-	(45,766)	-	(45,766)
Highway and streets	448,236	-	-	(448,236)	-	(448,236)
Culture and recreation	42,281	-	118,662	76,381	-	76,381
Interest and fiscal charges	22,417	-	-	(22,417)	-	(22,417)
Total governmental activities	1,980,203	427,976	199,886	(1,293,771)		(1,293,771)
Business-type activities:						
Water and Sewer	549,350	454,211	99,806		\$ 4,667	4,667
Solid Waste	201,701	190,037	-		(11,664)	(11,664)
Total business-type activities	751,051	644,248	99,806		(6,997)	(6,997)
Total	\$ 2,731,254	\$ 1,072,224	\$ 299,692	(1,293,771)	(6,997)	(1,300,768)
General revenues:						
Property taxes, levied for general purposes				488,472	-	488,472
Intergovernmental revenues-sales tax				1,277,852	-	1,277,852
Miscellaneous other taxes				34,863	-	34,863
Interest earnings				9,523	1,111	10,634
Gain (loss) on sale of assets				(3,108)	24,301	21,193
Total general revenues				1,807,602	25,412	1,833,014
Change in net assets				513,831	18,415	532,246
Net assets, beginning of year, restated				1,586,666	2,211,374	3,798,040
Net assets, end of year				\$ 2,100,497	\$ 2,229,789	\$ 4,330,286

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF WIGGINS, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	General Fund	CDBG Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 668,945	\$ 65,056	\$ 68,850	\$ 802,851
Receivables:				
Franchise taxes	76,883	-	-	76,883
Property taxes	3,853	-	753	4,606
Due from other governments:				
Sales tax	218,414	-	-	218,414
Other	75,731	25,134	-	100,865
Due from other funds	65,056	-	-	65,056
Prepaid expenses	11,879	-	-	11,879
Total assets	\$ 1,120,761	\$ 90,190	\$ 69,603	\$ 1,280,554
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 56,976	\$ 30,334	\$ -	\$ 87,310
Accrued liabilities	24,168	-	-	24,168
Deferred revenue	3,000	-	-	3,000
Other liabilities	130,753	-	18,118	148,871
Due to other funds	-	65,056	-	65,056
Compensated absences payable	13,192	-	-	13,192
Total liabilities	228,089	95,390	18,118	341,597
Fund balances:				
Unreserved	892,672	(5,200)	51,485	938,957
Total fund balances	892,672	(5,200)	51,485	938,957
Total liabilities and fund balances	\$ 1,120,761	\$ 90,190	\$ 69,603	\$ 1,280,554

The accompanying notes are an integral part of these financial statements.

**CITY OF WIGGINS, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

Total fund balances for governmental funds (Exhibit C) \$ 938,957

Total net assets reported for the governmental activities in the statement of net assets is different because:

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

Governmental capital assets	\$ 2,574,872	
Less: accumulated depreciation	<u>(841,394)</u>	
		1,733,478

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

Due from other governments		3,000
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental notes payable and capital leases payable		(566,158)
Accrued interest payable		<u>(8,780)</u>

Total net assets of governmental activities (Exhibit A) \$ 2,100,497

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund	CDBG Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes, penalties and interest:				
Property	\$ 413,695	\$ -	\$ 74,777	\$ 488,472
Franchise	304,614	-	-	304,614
Licenses and permits	19,455	-	-	19,455
Intergovernmental:				
Sales tax	1,277,852	-	-	1,277,852
Local	15,890	-	-	15,890
State	35,820	-	-	35,820
Federal	83,474	118,662	-	202,136
Interest	9,523	-	-	9,523
Fines and forfeitures	88,290	-	-	88,290
Miscellaneous	37,089	-	-	37,089
Total revenues	<u>2,285,702</u>	<u>118,662</u>	<u>74,777</u>	<u>2,479,141</u>
EXPENDITURES				
Current:				
General government	408,783	-	-	408,783
Public safety	1,178,220	-	-	1,178,220
Highways and streets	517,104	-	-	517,104
Culture and recreation	48,808	-	-	48,808
Debt service:				
Principal payments	105,000	-	44,452	149,452
Interest and fiscal charges	10,216	-	10,884	21,100
Capital outlay	-	149,587	-	149,587
Total expenditures	<u>2,268,131</u>	<u>149,587</u>	<u>55,336</u>	<u>2,473,054</u>
Excess (deficiency) of revenues over expenditures	<u>17,571</u>	<u>(30,925)</u>	<u>19,441</u>	<u>6,087</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of capital leases	264,986	-	-	264,986
Sale of asset	4,247	-	-	4,247
Transfers in (out)	(25,725)	25,725	-	-
Total other financing sources (uses)	<u>243,508</u>	<u>25,725</u>	<u>-</u>	<u>269,233</u>
Net changes in fund balances	261,079	(5,200)	19,441	275,320
Fund balances, beginning of year	<u>631,593</u>	<u>-</u>	<u>32,044</u>	<u>663,637</u>
Fund balances, end of year	<u>\$ 892,672</u>	<u>\$ (5,200)</u>	<u>\$ 51,485</u>	<u>\$ 938,957</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WIGGINS, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Net change in fund balances - total governmental funds (Exhibit D) \$ 275,320

The changes in net assets reported for the governmental activities in the statement of activities is different because:

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

Capital outlay	\$ 423,117	
Depreciation	<u>(78,400)</u>	
Excess of capital outlay over depreciation expense		344,717

In the statement of activities, a gain or loss on the retirement/sale of assets is based on the proceeds received and the net book value at the time of sale. The loss on disposal is calculated as follows:

Cost of assets disposed	\$ (73,547)	
Accumulated depreciation on assets disposed	<u>66,192</u>	
Loss on disposal of assets		(7,355)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Due from other governments		3,000
Donated asset		15,000

In the statement of activities, interest expense is accrued on outstanding loans, whereas in the governmental funds, an interest expenditure is reported when due. (1,324)

Proceeds from new borrowings is revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (514,986)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

399,459

Change in net assets of governmental activities (Exhibit B) \$ 513,831

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004

	Enterprise Funds		
	Water and Sewer	Solid Waste	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 75,878	\$ (23,755)	\$ 52,123
Accounts receivable, net of allowance for uncollectibles	69,989	-	69,989
Other receivables	2,911	-	2,911
Prepaid expenses	2,350	778	3,128
Total current assets	<u>151,128</u>	<u>(22,977)</u>	<u>128,151</u>
Restricted assets:			
Cash and cash equivalents	<u>41,970</u>	-	<u>41,970</u>
Capital assets:			
Land and construction in progress	11,128	-	11,128
Improvements other than buildings	3,630,621	-	3,630,621
Machinery and equipment	49,305	-	49,305
Vehicles	101,662	27,834	129,496
Total capital assets	<u>3,792,716</u>	<u>27,834</u>	<u>3,820,550</u>
Less: accumulated depreciation	<u>(1,560,437)</u>	<u>(13,290)</u>	<u>(1,573,727)</u>
Net capital assets	<u>2,232,279</u>	<u>14,544</u>	<u>2,246,823</u>
Total assets	<u>2,425,377</u>	<u>(8,433)</u>	<u>2,416,944</u>
LIABILITIES			
Current liabilities:			
Accounts payable	24,092	14,809	38,901
Other accrued liabilities	1,087	-	1,087
Compensated absences payable	4,563	-	4,563
Current maturities of capital leases payable	9,559	-	9,559
Total current liabilities	<u>39,301</u>	<u>14,809</u>	<u>54,110</u>
Current liabilities payable			
from restricted assets:			
Customer deposits	29,970	-	29,970
Interest payable	87	-	87
Current maturities of revenue bonds payable	8,258	-	8,258
Total current liabilities payable	<u>38,315</u>	<u>-</u>	<u>38,315</u>
Noncurrent liabilities:			
Revenue bonds payable, net of current maturities	82,489	-	82,489
Capital leases payable, net of current maturities	12,241	-	12,241
Total noncurrent liabilities	<u>94,730</u>	<u>-</u>	<u>94,730</u>
Total liabilities	<u>172,346</u>	<u>14,809</u>	<u>187,155</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,210,479	14,544	2,225,023
Restricted for bond indenture	3,655	-	3,655
Unrestricted	38,897	(37,786)	1,111
Total net assets	<u>\$ 2,253,031</u>	<u>\$ (23,242)</u>	<u>\$ 2,229,789</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Funds		
	Water and Sewer	Solid Waste	Total
OPERATING REVENUES			
Charges for sales and services:			
Water sales	\$ 302,521	\$ -	\$ 302,521
Sewer charges	130,209	-	130,209
Garbage charges	-	189,974	189,974
Tap fees	10,950	-	10,950
Service connection charges	720	-	720
Late charges	3,276	-	3,276
Miscellaneous	6,535	63	6,598
	<u>454,211</u>	<u>190,037</u>	<u>644,248</u>
Total operating revenues			
OPERATING EXPENSES			
Personnel services	218,296	2,216	220,512
Contractual services	33,445	181,259	214,704
Supplies and materials	116,587	13,981	130,568
Heat, light and power	69,864	-	69,864
Depreciation	72,933	4,245	77,178
Other services and charges	27,227	-	27,227
Professional fees	5,274	-	5,274
	<u>543,626</u>	<u>201,701</u>	<u>745,327</u>
Total operating expenses			
LOSS FROM OPERATIONS	<u>(89,415)</u>	<u>(11,664)</u>	<u>(101,079)</u>
NONOPERATING REVENUES (EXPENSES)			
Gain on sale of assets	-	24,301	24,301
Interest revenue	1,111	-	1,111
Interest expense	(5,724)	-	(5,724)
	<u>(4,613)</u>	<u>24,301</u>	<u>19,688</u>
Total nonoperating revenues (expenses)			
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(94,028)	12,637	(81,391)
Capital contributions	99,806	-	99,806
CHANGE IN NET ASSETS	5,778	12,637	18,415
TOTAL NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>2,247,254</u>	<u>(35,880)</u>	<u>2,211,374</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 2,253,032</u>	<u>\$ (23,243)</u>	<u>\$ 2,229,789</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 453,737	\$ 190,037	\$ 643,774
Payments to suppliers	(247,546)	(187,845)	(435,391)
Payments to employees	(218,296)	(2,216)	(220,512)
Net cash used for operating activities	<u>(12,105)</u>	<u>(24)</u>	<u>(12,129)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(157,277)	-	(157,277)
Principal paid on revenue bonds and capital leases payable	(21,824)	(259)	(22,083)
Interest paid on revenue bonds and capital leases payable	(5,792)	-	(5,792)
Proceeds from sale of assets	-	39,059	39,059
Proceeds from capital grants	99,806	-	99,806
Net cash provided by (used for) capital and related financing activities	<u>(85,087)</u>	<u>38,800</u>	<u>(46,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	<u>1,111</u>	<u>-</u>	<u>1,111</u>
Net cash provided by investing activities	<u>1,111</u>	<u>-</u>	<u>1,111</u>
Increase (decrease) in cash and cash equivalents	(96,081)	38,776	(57,305)
Cash and cash equivalents, beginning of year	<u>213,929</u>	<u>(62,531)</u>	<u>151,398</u>
Cash and cash equivalents, end of year	<u>\$ 117,848</u>	<u>\$ (23,755)</u>	<u>\$ 94,093</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Unrestricted:			
Cash and cash equivalents	\$ 75,878	\$ (23,755)	\$ 52,123
Restricted:			
Cash and cash equivalents	<u>41,970</u>	<u>-</u>	<u>41,970</u>
Cash and cash equivalents, end of year	<u>\$ 117,848</u>	<u>\$ (23,755)</u>	<u>\$ 94,093</u>
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:			
Capital assets acquired through capital leases	<u>\$ 11,847</u>	<u>\$ -</u>	<u>\$ 11,847</u>

**CITY OF WIGGINS, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Enterprise Funds		
	Water and Sewer	Solid Waste	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES			
Loss from operations	\$ (89,415)	\$ (11,664)	\$ (101,079)
Adjustments reconciling net cash used for operating activities:			
Depreciation	72,933	4,245	77,178
Bad debts	4,276	-	4,276
(Increase) decrease in assets:			
Accounts receivable	(5,839)	-	(5,839)
Other receivables	1,089	-	1,089
Prepaid expenses	(398)	335	(63)
Increase (decrease) in liabilities:			
Accounts payable	3,944	9,627	13,571
Other payables	(1,520)	(1,293)	(2,813)
Compensated absences payable	1,340	(1,274)	66
Customer deposits	1,485	-	1,485
Net cash used for operating activities	<u>\$ (12,105)</u>	<u>\$ (24)</u>	<u>\$ (12,129)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Wiggins, Mississippi, (City) incorporated in 1904 under the laws of the State of Mississippi and situated in Stone County, operates under a Mayor-Board form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2004.

II. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units. However, see Notes 11 and 12 for information describing related organizations not included in the City's reporting entity.

III. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(A) Basis of Accounting

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(A) Basis of Accounting (Continued)

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, sales taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received by the City.

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 personnel costs, administrative expenses, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CDBG Fund - The capital project fund is used to account for financial resources to be used for the acquisition or construction of major capital improvements and facilities (other than those financed by proprietary funds) financed with federal grants.

Debt Service Fund – The debt service fund accounts for the servicing of long-term general obligation debt and payment of related interest and agency fees.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(B) Fund Types and Major Funds (Continued)

Proprietary Fund Types

The City reports the following major proprietary funds:

Water and Sewer Fund – The utility fund accounts for operations that are 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 and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges.

Solid Waste – The fund accounts for operations that are 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 garbage services to the general public on a continuing basis be financed or recovered primarily through user charges.

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

(B) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the Water and Sewer enterprise fund for estimated uncollectible utility charges receivable. The allowance is based on historical collection experience and other relevant circumstances. As of September 30, 2004, the allowance for uncollectible utility receivables is \$51,585.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2004, are recorded as prepaid items.

(D) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the enterprise funds represent utility customer deposits subject to refund and amounts restricted per bond covenants.

(E) Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. However, infrastructure assets acquired or constructed prior to October 1, 2003 are not reported in the basic financial statements, as allowed by GASB Statement No. 34. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Improvements other than buildings	15 - 50 years
Machinery and equipment	5 - 10 years
Vehicles	5 - 20 years

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 fund type statement of net assets. Bond issuance costs and bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(G) Compensated Absences

The City's policy requires employees to take vacation time earned in the calendar year following the calendar year in which the leave was earned. All vacation time not used within the aforementioned time frame is forfeited. Retiring and terminating employees are paid for all unused vacation. Employees may accumulate up to 63 days of sick leave. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. The City's experience has been that the majority of unused vacation leave is typically used within a period of 90 days of year-end. Accordingly, all unused vacation is accrued when incurred in the fund financial statements, as well as the government-wide and proprietary fund financial statements.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours and compensatory hours are multiplied by the employee's hourly rate at September 30, 2004. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

(H) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(I) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

VI. Change in Accounting Principle and Restatement of Fund Equity

In 2004, the City adopted new accounting standards in order to comply with the following Governmental Accounting Standards Board Statements:

GASB Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

GASB Statement No. 37 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus

GASB Statement No. 38 – Certain Financial Statement Note Disclosures

GASB Interpretation No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. The new requirements represent significant changes in the financial reporting model used by state governments, including changes to reporting funds and financial statement formats. As a result, fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required. In addition, governments are also required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus.

Statement No. 38 requires certain note disclosures when Statement No. 34 is implemented.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

VI. Change in Accounting Principle and Restatement of Fund Equity (Continued)

Interpretation No. 6 clarifies the application of existing standards for modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements.

The provisions of these new standards have been incorporated into the financial statements and accompanying notes. Changes to previously reported fund equities were made primarily due to the implementation of the new standards.

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the City as they were previously reported.

	Equity, As Previously Reported	Implementation of New GASB Pronouncements	Equity, As Restated
Government-wide Financial Statements:			
Governmental activities	\$ 663,637	\$ 923,029	\$ 1,586,666

See Note 18 for explanation of prior period adjustments.

NOTE 2: CASH

A summary of cash and cash equivalents as of September 30, 2004, follows:

Fund Type	Cash on Hand	Checking and Savings Accounts	Totals
Governmental Activities			
General Fund	\$ 50	\$ 668,895	\$ 668,945
CDBG Fund	-	65,056	65,056
Debt Service Funds	-	68,850	68,850
Total Governmental Funds	50	802,801	802,851
Business-type Activities			
Enterprise Fund:			
Water and Sewer Fund	100	117,748	117,848
Solid Waste Fund	-	(23,755)	(23,755)
Total Business-type Funds	100	93,993	94,093
Total cash and cash equivalents	\$ 150	\$ 896,794	\$ 896,944

The City maintained the following restricted assets as of September 30, 2004:

Business-type Activities:	
Cash and cash equivalents	
Restricted for utility customer deposits	\$ 29,970
Restricted for debt requirements	12,000
Total restricted assets	\$ 41,970

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 2: CASH (Continued)

Custodial Credit Risk – Deposits

Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all the City's deposits at September 30, 2004 fall into the credit risk category of "Insured or collateralized with securities held by the entity or its agent in the entity's name."

At September 30, 2004, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 940,559	\$ 896,944

NOTE 3: RECEIVABLES

Receivables at September 30, 2004 consist of the following:

	Governmental Activities			Business-type Activities	Total
	General Fund	CDBG Fund	Debt Service Fund	Water and Sewer Fund	
Property taxes	\$ 3,853	\$ -	\$ 753	\$ -	\$ 4,606
Sales tax	218,414	-	-	-	218,414
Franchise taxes	76,883	-	-	-	76,883
Accounts, gross	-	-	-	121,574	121,574
Due from other governments	75,731	25,134	-	2,911	103,776
Total receivables, gross	374,881	25,134	753	124,485	525,253
Less allowance for doubtful receivables	-	-	-	(51,585)	(51,585)
Total receivables, net	\$ 374,881	\$ 25,134	\$ 753	\$ 72,900	\$ 473,668

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue at September 30, 2004, consists primarily of unearned grant revenue.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 3: RECEIVABLES (Continued)

(A) Property Taxes

Stone County bills and collects the real, personal, and auto ad valorem taxes for the City. Taxes on real and personal property are levied by the Board at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar 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. All taxes are remitted monthly to the City. In addition, Stone County also remits to the City a prorata share of road and bridge taxes collected by the County. Generally accepted accounting principles require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2004, was 17.9 mills or \$17.90 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2004 have been provided below.

The assessed valuations of the City for the year ended September 30, 2004 are as follows:

Real property	\$	15,441,449
Personal property		9,400,626
Public utilities		2,429,990
Automobiles and mobile home		<u>3,583,577</u>
Totals		<u>\$ 30,855,642</u>

The tax levies for the City for the years ended September 30, 2004, 2003, and 2002 are as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund	15.90	15.90	18.00
Debt Service Fund	<u>2.00</u>	<u>2.00</u>	<u>3.00</u>
Total tax levy	<u>17.90</u>	<u>17.90</u>	<u>21.00</u>

(B) Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Wiggins) back to the City monthly. Sales tax revenue reported in the general fund was \$1,277,852. Sales taxes receivable consists of taxes collected by the State for August and September 2004 not received by the City until October and November 2004.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2004 consists of the following:

	Governmental Activities			Business- Type Activities	Total
	General Fund	CDBG Fund	Debt Service Fund	Water and Sewer Fund	
Due from other governments					
Sales tax	\$ 218,414	\$ -	\$ -	\$ -	\$ 218,414
Grants	75,731	25,134	-	2,911	103,776
Total due from other governments	<u>\$ 294,145</u>	<u>\$ 25,134</u>	<u>\$ -</u>	<u>\$ 2,911</u>	<u>\$ 322,190</u>

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 is as follows:

	Balance October 1, 2003	Additions	Disposals	Transfers	Balance September 30, 2004
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 511,298	\$ 16,800	\$ -	\$ -	\$ 528,098
Construction in progress	264,481	174,145	-	(47,347)	391,279
Total capital assets, not being depreciated	<u>775,779</u>	<u>190,945</u>	<u>-</u>	<u>(47,347)</u>	<u>919,377</u>
Capital assets, being depreciated:					
Buildings and improvements	319,265	-	-	16,870	336,135
Improvements other than buildings	52,478	-	-	30,477	82,955
Machinery and equipment	143,695	7,387	-	12,431	163,513
Vehicles	781,344	-	(73,547)	19,563	727,360
Equipment under lease	24,480	28,900	-	(12,431)	40,949
Vehicles under lease	106,389	217,757	-	(19,563)	304,583
Total capital assets, being depreciated	<u>1,427,651</u>	<u>254,044</u>	<u>(73,547)</u>	<u>47,347</u>	<u>1,655,495</u>
Less accumulated depreciation for:					
Buildings and improvements	(152,548)	(6,356)	-	-	(158,904)
Improvements other than buildings	(17,689)	(2,768)	-	-	(20,457)
Machinery and equipment	(122,172)	(2,079)	-	-	(124,251)
Vehicles	(507,176)	(42,962)	66,192	-	(483,946)
Equipment under lease	(15,226)	(4,553)	-	-	(19,779)
Vehicles under lease	(14,375)	(19,682)	-	-	(34,057)
Total accumulated depreciation	<u>(829,186)</u>	<u>(78,400)</u>	<u>66,192</u>	<u>-</u>	<u>(841,394)</u>
Total capital assets, being depreciated, net	<u>598,465</u>	<u>175,644</u>	<u>(7,355)</u>	<u>47,347</u>	<u>814,101</u>
Total governmental activities capital assets, net	<u>\$ 1,374,244</u>	<u>\$ 366,589</u>	<u>\$ (7,355)</u>	<u>\$ -</u>	<u>\$ 1,733,478</u>

CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2003	Additions	Disposals	Transfers	Balance September 30, 2004
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 5,424	\$ -	\$ -	\$ -	\$ 5,424
Construction in progress	-	5,704	-	-	5,704
Total capital assets, not being depreciated	5,424	5,704	-	-	11,128
Capital assets, being depreciated:					
Improvements other than buildings	3,486,050	144,571	-	-	3,630,621
Machinery and equipment	24,810	7,000	(1,303)	6,749	37,256
Vehicles	223,956	-	(146,266)	25,242	102,932
Equipment under lease	18,798	-	-	(6,749)	12,049
Vehicles under lease	39,959	11,847	-	(25,242)	26,564
Total capital assets, being depreciated	3,793,573	163,418	(147,569)	-	3,809,422
Less accumulated depreciation for:					
Improvements other than buildings	(1,389,556)	(62,452)	-	-	(1,452,008)
Machinery and equipment	(20,474)	(1,911)	1,172	(6,749)	(27,962)
Vehicles	(188,771)	(5,460)	131,639	(15,138)	(77,730)
Equipment under lease	(15,226)	(1,692)	-	6,749	(10,169)
Vehicles under lease	(15,333)	(5,663)	-	15,138	(5,858)
Total accumulated depreciation	(1,629,360)	(77,178)	132,811	-	(1,573,727)
Total capital assets, being depreciated, net	2,164,213	86,240	(14,758)	-	2,235,695
Total business-type activities capital assets, net	\$ 2,169,637	\$ 91,944	\$ (14,758)	\$ -	\$ 2,246,823

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,404
Public safety	54,272
Highways and streets	9,724
Total governmental activities depreciation expense	<u>\$ 78,400</u>

Business-type activities:	
Water and sewer	\$ 72,933
Solid Waste	4,245
Total business-type activities Depreciation expense	<u>\$ 77,178</u>

Construction in progress consists primarily of construction, engineering, and miscellaneous costs related to the Depot Restoration Project, but also includes the initial engineering and architectural costs for the construction of a Senior Center. Total construction in progress at September 30, 2004 is \$396,983 and includes amounts reported in accounts payable of \$30,334.

During the year, the City elected to contract for garbage services. As a result, the two garbage trucks owned by the City were declared surplus and sold for \$39,058. A gain of \$24,331 was realized on the sale.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6: LONG-TERM DEBT

Changes in outstanding debt during the year ended September 30, 2004, are as follows:

	Balance October 1, 2003	Additions	Principal Payments/ Reductions	Balance September 30, 2004	Due within One Year
Governmental Activities					
Notes payable	\$ 306,452	\$ 250,000	\$ (294,452)	\$ 262,000	\$ 53,381
Capital leases payable	144,179	264,986	(105,007)	304,158	110,052
Total governmental activities	<u>\$ 450,631</u>	<u>\$ 514,986</u>	<u>\$ (399,459)</u>	<u>\$ 566,158</u>	<u>\$ 163,433</u>
Business-type Activities					
Bond payable	\$ 100,461	\$ -	\$ (9,714)	\$ 90,747	\$ 8,258
Capital leases payable	22,322	23,896	(24,418)	21,800	9,559
Total business-type activities	<u>\$ 122,783</u>	<u>\$ 23,896</u>	<u>\$ (34,132)</u>	<u>\$ 112,547</u>	<u>\$ 17,817</u>

(A) Notes Payable

At September 30, 2004, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2004
Governmental Activities:					
Trustmark Bank	11/1/2000	11/5/2005	5.28%	\$ 30,000	\$ 12,000
Hancock Bank	11/3/2005	11/8/2005	2.69%	250,000	250,000
Total notes payable at year-end					<u>\$ 262,000</u>

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2005	\$ 53,381	\$ 7,359	\$ 60,740
2006	54,656	5,767	60,423
2007	49,965	4,142	54,107
2008	51,309	2,798	54,107
2009	52,689	1,417	54,106
Total	<u>\$ 262,000</u>	<u>\$ 21,483</u>	<u>\$ 283,483</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6: LONG-TERM DEBT (Continued)

(B) Bond Payable

At September 30, 2004, the City's outstanding revenue bond payable is described as follows:

	Date of Issue	Original Issue	Final Maturity Date	Rates	Balance September 30, 2004
Business-Type Activities:					
Revenue bond (acquired by GMAC Commercial Mortgage in 1/1988)	1/1971	\$ 200,000	10/1/2015	5.00%	<u>\$ 90,747</u>

The annual bonded debt service requirements to maturity for the revenue bond is as follows:

Year Ending September 30,	Business-Type Activities		Total Requirements
	Principal	Interest	
2005	\$ 8,258	\$ 4,246	\$ 12,504
2006	8,680	3,824	12,504
2007	9,125	3,379	12,504
2008	9,591	2,913	12,504
2009	10,082	2,422	12,504
2010-2014	45,011	6,273	51,284
Total	<u>\$ 90,747</u>	<u>\$ 23,057</u>	<u>\$ 113,804</u>

The City's water and sewer revenue bond dated January 1, 1971 require the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- (a) Waterworks and Sewer System Contingent Fund - into which shall be deposited \$25 per month until the funds and investments shall equal \$3,000.
- (b) Waterworks and Sewer System Depreciation Fund - into which shall be deposited \$25 per month until the funds and investments shall equal \$3,000.
- (c) Debt Service Cushion Fund - into which shall be deposited \$50 per month until the funds and investments shall equal \$6,000.

These monies are not separate funds but are restricted accounts within the water and sewer fund.

At September 30, 2004, the restricted balances in the accounts required by the bond covenants are as follows:

	Required Balance 9/30/04	Restricted Balance 9/30/04
Debt service cushion fund	\$ 6,000	\$ 6,000
Contingent fund	3,000	3,000
Depreciation fund	<u>3,000</u>	<u>3,000</u>
Total	<u>\$ 12,000</u>	<u>\$ 12,000</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases Payable

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The general capital lease obligations outstanding as of September 30, 2004 are as follows:

Description	Original Amount	Issue Date	Effective Interest Rate	Outstanding Present Value
Governmental Activities				
Mississippi Power Energy Enhancement	\$ 107,884	01/05/01	6.45%	\$ 41,762
2002 Chevrolet Suburban	26,276	03/19/02	3.97%	4,614
2003 Ford Crown Victoria	19,977	11/05/02	3.89%	9,167
2003 Ford Crown Victoria	23,601	11/05/02	3.89%	10,830
2003 Ford F150	16,972	01/24/03	3.10%	7,714
2003 D201 Tanker Truck	186,392	10/25/03	3.14%	169,032
(4) Personal computers/software	28,900	11/21/03	3.12%	24,777
2004 Ford Taurus	11,915	02/25/04	3.14%	9,685
2004 Ford Crown Victoria	19,450	01/25/04	3.14%	15,810
Caterpillar Backhoe, refinance	<u>12,049</u>	05/25/04	3.25%	<u>10,767</u>
	<u>453,416</u>			<u>304,158</u>
Business-type Activities				
2002 GMC Sierra	14,717	12/18/01	3.97%	1,723
2004 GMC Sierra	11,847	01/25/04	3.14%	9,310
Caterpillar Backhoe, refinance	<u>12,049</u>	05/25/04	3.25%	<u>10,767</u>
	<u>38,613</u>			<u>21,800</u>
Total capital leases at year-end	<u>\$ 492,029</u>			<u>\$ 325,958</u>

The following is an analysis of property leased under capital leases as of September 30, 2004:

	Cost
Governmental Activities	
Vehicles	\$ 304,583
Machinery and equipment	<u>148,833</u>
	<u>453,416</u>
Business-type Activities	
Vehicles	26,564
Machinery and equipment	<u>12,049</u>
	<u>38,613</u>
Total	<u>\$ 492,029</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases Payable (Continued)

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2004 :

Year Ending September 30,	Governmental Activities	Business-type Activities
2005	\$ 119,358	\$ 10,201
2006	94,141	8,363
2007	48,981	4,195
2008	40,573	-
2009	20,285	-
Total minimum lease payments	323,338	22,759
Less amount representing interest	(19,180)	(959)
Present value of minimum payments	\$ 304,158	\$ 21,800

(D) Legal Debt Margin

The City's maximum and remaining legal debt limit for general obligation bonds is \$4,628,350 at September 30, 2004.

NOTE 7: INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services.

(A) Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund receivables and payables consisted of the following at September 30, 2004:

Due From	Due To	
	Governmental Activities Major Governmental Funds General Fund	CDBG Fund
Governmental Activities:		
Major Funds:		
General	\$ 65,056	\$ -
CDBG Fund	-	65,056
Total	\$ 65,056	\$ 65,056

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 7: INTERFUND TRANSACTIONS (Continued)

(B) Interfund Transfers

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. As a result, the following transfers made between governmental funds during the year ended September 30, 2004 do not appear in the government-wide statement of activities.

<u>Transfers Out</u>	<u>Transfer In</u>	
	<u>Governmental Activities</u>	
	Major Governmental Funds	
	<u>General Fund</u>	<u>CDBG Fund</u>
Governmental Activities:		
Major Funds:		
General	\$ -	\$ 25,725
CDBG Fund	<u>25,725</u>	<u>-</u>
Total	<u>\$ 25,725</u>	<u>\$ 25,725</u>

NOTE 8: RESTRICTED NET ASSETS

The City's bond covenants, as more fully explained at Note 6, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent restrictions of the water and sewer fund's net assets.

The restricted portions are as follows:

Restricted Assets	
Customer deposits	\$ 29,970
Revenue bond cushion fund account	6,000
Revenue bond depreciation account	3,000
Revenue bond contingent account	<u>3,000</u>
Total restricted accounts	<u>41,970</u>
 Liabilities Payable From Restricted Assets	
Customer deposits	29,970
Revenue bond principal (current portion)	8,258
Accrued interest	<u>87</u>
Total liabilities payable from restricted assets	<u>38,315</u>
Restricted net assets	<u>\$ 3,655</u>

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9: DEFICIT FUND NET ASSETS

At September 30, 2004, there is a deficit fund balance in the CDBG capital projects fund of \$5,200. Local funding from the General Fund provided after year-end will eliminate this deficiency.

NOTE 10: SEGMENT INFORMATION

The City maintains two proprietary funds. The Water and Sewer Fund accounts for the provision of basic utility services to all citizens. The Solid Waste Fund accounts for waste services of the City. Selected segment information for the year ended September 30, 2004, is as follows:

	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Total</u>
Operating revenue	\$ 190,037	\$ 454,211	\$ 644,248
Depreciation	4,245	72,933	77,178
Operating (loss)	(11,664)	(89,415)	(101,079)
Income from water service	-	302,521	302,521
Income from sewer service	-	130,209	130,209
Income from garbage fees	189,974	-	189,974
Properties connected with water lines	-	1,541	1,541
Properties connected with sewer lines	-	1,330	1,330
Metered customer - water	-	1,540	1,540
Metered customers - sewer	-	1,326	1,326
Unmetered customers - water	-	1	1
Unmetered customers - sewer	-	4	4
Number of garbage customers	1,353	-	1,353

NOTE 11: JOINT VENTURE

The Wiggins-Stone County Airport Board is a joint venture between the City and Stone County. The City and Stone County jointly own the land and buildings of the Wiggins-Stone County Airport. The total historical cost of this property is \$94,500, which is composed of \$28,600 in land and \$65,900 in buildings and improvements. In July 2004, the City received grants in the amount of \$168,020 and \$4,422 from the FAA and the Mississippi Department of Transportation, respectively, on behalf of the Airport Board for the overlay of the airport runway. A total of \$63,724 was recorded as revenue in the General Fund during fiscal year 2004 related to these grants, as well as related costs of \$10,955. In addition, the City and the County provide \$2,000 each year to the Airport Board. The Airport Board leases property to the State of Mississippi and the fixed base operator for a total annual income of \$50. All of the revenues are expended each year. Any potential future financial benefit or burden to the City resulting from the airport is not determinable at this time. The Wiggins-Stone County Airport Board does not issue financial statements at this time.

NOTE 12: JOINTLY GOVERNED ORGANIZATION

Stone County Economic Development Partnership

The Stone County Economic Development Partnership (Partnership) is a jointly governed organization between the City and Stone County, Mississippi, created to promote economic development in Stone County, Mississippi under the provisions of Senate Bill 3072. The Board of Alderpersons of the City of Wiggins appoints three members and the Mayor of the City of Wiggins appoints one member of the seventeen members of the Board of Directors of the Partnership. A two percent tax levy upon every person, firm or corporation operating a motel, hotel or restaurant in Stone County primarily provides the funds for the Partnership to conduct its activities. Additionally, the Board of Alderpersons of the City of Wiggins has the authority, along with the Board of Supervisors of Stone County, upon presentation by the Partnership, to approve or disapprove all or any portion of the annual budget regarding the expenditures of the tax revenue, and any amendments, thereto.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 13: RETIREMENT PLANS

(A) Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan as described below:

Plan Description and Provisions

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

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary. In the year ended September 30, 2004, City employees contributed \$70,610. The City is required to contribute at an actuarially determined rate, currently 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2004, 2003, and 2002, were \$94,998, \$96,781, and \$93,991, respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

NOTE 14: COMMITMENTS AND CONTINGENCIES

(A) Litigation

The City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(B) Grants and Awards

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 14: COMMITMENTS AND CONTINGENCIES (Continued)

(C) Construction Contracts

The City entered into engineering and construction contracts that had the following outstanding commitments for costs remaining as of September 30, 2004:

<u>Project</u>	<u>Outstanding Commitments</u>
Depot Restoration Project	\$ 34,000
Senior Citizens Center	368,663
Sewer Upgrade Project	142,696
	<u>\$ 545,359</u>

(D) City Wastewater Treatment Facility

The City's Water and Sewer Fund operates a wastewater treatment facility that is regulated by the Environmental Protection Agency (EPA) and the Mississippi Department of Environmental Quality (DEQ). Changes in the EPA or DEQ laws and regulations could have a direct effect on the Water and Sewer Fund and the City. The possibility of additional liability related to changes in these laws and regulations exists. However, this liability cannot be determined at this time.

NOTE 15: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

(A) Self-Insurance – Workers Compensation Fund

The City is one of approximately 250 members in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

(B) Self-Insurance – Liability Fund

The City is one of approximately 250 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

NOTE 16: UNEMPLOYMENT COMPENSATION FUND

In lieu of making payments to the Mississippi Employment Security Commission (MESC), the City makes deposits into a bank account designated for unemployment compensation in an amount equal to 2% of the first \$6,000 of covered employee wages paid in the preceding calendar year. Unemployment claims filed with the State are reimbursed 100% by the City. At September 30, 2004, the City's unemployment escrow account was sufficiently funded.

**CITY OF WIGGINS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 17: SUBSEQUENT EVENTS

Dean Griffin Memorial Airport Rehabilitation Project

In June 2005, the City elected to enter into a contract with BM, Inc. to refurbish the runway lights at Dean Griffin Memorial Airport. The amount of the agreement is \$111,794 base bid without additive alternates.

Hurricane Katrina

On August 29, 2005, Hurricane Katrina caused widespread destruction to the Mississippi Gulf Coast area. Some of the City's facilities sustained damage. However, the total loss incurred has not been determined at this time. While the City is insured for casualty losses, it is unknown what will be recovered from insurance proceeds. In addition, it is expected that federal and state aid will be available in the form of grants and/or loans. This event could also affect the financial position and future earnings potential of the City over the next few years as the region works to repair and rebuild. However, the long-term financial impact resulting from this event cannot be determined at this time.

NOTE 18: PRIOR PERIOD ADJUSTMENTS

The effects of the prior period adjustments on fund balances as of October 1, 2003 are as follows:

(A) Governmental Funds

	<u>General Fund</u>	<u>Debt Service</u>	<u>Trust & Agency</u>	<u>Total</u>
Fund balance/retained earnings, September 30, 2003, as originally stated	\$ 624,787	\$ 32,044	\$ 6,806	\$ 663,637
Reclassification of agency funds	6,806	-	(6,806)	-
Total prior period adjustments	6,806	-	(6,806)	-
Fund balance/retained earnings, September 30, 2003, as restated	<u>\$ 631,593</u>	<u>\$ 32,044</u>	<u>\$ -</u>	663,637
Implementation of new GASB pronouncements (see Note 1)				<u>923,029</u>
Net assets, September 30, 2003, as restated				<u>\$ 1,586,666</u>

(B) Proprietary Funds

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Fund balance/retained earnings, September 30, 2003, as originally stated	<u>\$1,564,611</u>	<u>\$ (50,737)</u>	<u>\$ 1,513,874</u>
Understatement of fixed assets and overstatement of depreciation expense (occurred prior to 2003)	512,687	14,857	527,544
Reclassification of contributed capital (occurred prior to 2003)	<u>169,956</u>	<u>-</u>	<u>169,956</u>
Total prior period adjustments	<u>682,643</u>	<u>14,857</u>	<u>697,500</u>
Fund balance/retained earnings, September 30, 2003, as restated	<u>\$2,247,254</u>	<u>\$ (35,880)</u>	<u>\$ 2,211,374</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WIGGINS, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes, penalties and interest	\$ 358,591	\$ 395,291	\$ 414,973	\$ 19,682
Licenses, permits, and franchise taxes	287,000	315,200	317,184	1,984
Intergovernmental	1,207,133	1,327,443	1,328,491	1,048
Fines and forfeitures	40,000	85,175	88,290	3,115
Interest income	10,000	8,500	9,523	1,023
Miscellaneous	-	24,050	37,089	13,039
Total revenues	<u>1,902,724</u>	<u>2,155,659</u>	<u>2,195,550</u>	<u>39,891</u>
EXPENDITURES				
Current:				
General government	441,336	520,451	412,635	107,816
Public safety	1,045,182	1,200,424	1,173,616	26,808
Highway and streets	409,875	472,475	517,104	(44,629)
Culture and recreation	41,898	46,098	48,808	(2,710)
Debt service	102,464	104,895	115,216	(10,321)
Total expenditures	<u>2,040,755</u>	<u>2,344,343</u>	<u>2,267,379</u>	<u>76,964</u>
Deficiency of revenues over expenditures	<u>(138,031)</u>	<u>(188,684)</u>	<u>(71,829)</u>	<u>116,855</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	(26,900)	(25,725)	1,175
Proceeds from sale of assets	-	-	4,247	4,247
Proceeds from capital leases	160,300	252,937	264,986	12,049
Total other financing sources (uses)	<u>160,300</u>	<u>226,037</u>	<u>243,508</u>	<u>17,471</u>
Net change in fund balances	22,269	37,353	171,679	<u>\$ 134,326</u>
Fund balances-beginning, budget basis	<u>310,527</u>	<u>530,916</u>	<u>530,916</u>	
Fund balances-ending, budget basis	<u>\$ 332,796</u>	<u>\$ 568,269</u>	702,595	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year.			100,677	
Change in taxes receivable			(1,278)	
Change in franchise taxes receivable			6,885	
Change in due from other governments			87,545	
Change in prepaid expenses			1,039	
Change in deferred revenue			(3,000)	
Change in accrued expenses			(4,232)	
Change in other liabilities			2,813	
Change in compensated absences			(372)	
Fund balances-ending, GAAP basis			<u>\$ 892,672</u>	

See Independent Auditors' Report.

CITY OF WIGGINS, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON (NON-GAAP BASIS)
GENERAL FUND
SEPTEMBER 30, 2004

NOTE A: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year.

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

The Budgetary Comparison Schedule presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the net change in fund balance for the year ended September 30, 2004 is presented at the end of the Budgetary Comparison Schedule.

SUPPLEMENTARY INFORMATION

CITY OF WIGGINS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
2001 - 2005 TERM

<u>Official's Title</u>	<u>Name</u>	<u>Surety Company</u>	<u>Serial Number</u>	<u>Coverage Amount</u>	<u>Expiration Date</u>
Mayor	Ferris B. O'Neal	Western Surety	SM3258	\$ 50,000	07/01/05
Mayor	Jerry Alexander	Travelers Casualty	104562703	50,000	07/01/09
Aldersperson	Raymond D. Collins	Western Surety	SL9209	20,000	07/01/05
Aldersperson	Mike Cain	Travelers Casualty	104562704	25,000	07/01/09
Aldersperson	Darrell Berry	Travelers Casualty	104562705	25,000	07/01/09
Aldersperson	Donna Rouse	Travelers Casualty	104562706	25,000	07/01/09
Aldersperson	Ronnie Purvis	Western Surety	SL9211	20,000	07/01/05
Aldersperson	Bill Prout	Travelers Casualty	104562707	25,000	07/01/09
Aldersperson	Thomas E. Hall	Travelers Casualty	104562708	25,000	07/01/09
Bond Treasurer	Teresa J. Ladner	Western Surety	69053426	160,000	02/21/06
City Clerk	Teresa J. Ladner	Western Surety	69053423	50,000	02/21/06
Deputy Clerk	LaShonna Jackson	Western Surety	24572421	10,000	10/08/05
Deputy Clerk	Joyce Martin	Western Surety	24572359	10,000	02/01/05
Deputy Clerk	Johnette Cook	Western Surety	N24572356	10,000	02/01/06
Chief of Police	Reid Lowe	Western Surety	24572422	50,000	10/16/05
Chief of Police	Buddy Bell	RLI Surety	PRS1156443	50,000	07/04/06
Court Clerk	Jeanette Jackson	Western Surety	13433734	10,000	01/01/06
Notary	LaShonna Jackson	Western Surety	1442755ON	5,000	05/12/06
Position Blanket Bond for Alderspersons		Western Surety	18294152	10,000	04/30/06
Blanket Bond over all employees handling cash except receiving clerk		Western Surety	69059032	10,000	10/01/06

See Independent Auditors' Report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

January 6, 2006

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wiggins, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the City of Wiggins, Mississippi's basic financial statements and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Wiggins, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Wiggins, Mississippi's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Responses as items 2004-1 and 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of City of Wiggins, Mississippi in a separate letter dated January 6, 2006.

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

Alexander, Van Loon, Sloan, Levens & Favre
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

**CITY OF WIGGINS
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2004**

2004-1

Court Fines and Fees

The computer system used to track court fines and fees has not been reliable in providing accurate reports for recording court activity. In addition, the City has been unable to produce an accurate listing of receivables. Per inquiry of the Court Clerk, old receivables, that have not been collected and have not been added to the computer system due to lack of staffing hours, are tracked and maintained in a file cabinet drawer. It was also noted that the Court Clerk is responsible for cash receipts and disbursements related to court fines and forfeitures.

Recommendation

Because of the unreliability of the software, the lack of an accurate receivables listing, and the lack of segregation of duties due to the limited number of employees within the court system, we believe that there is a weakness in internal controls that is considered to be a reportable condition. Management should review the current assignment of all accounting functions related to the court system. In addition, the City should consider one or more of the following:

- Additional training on the current software and additional technical support to resolve all of the reporting problems, if possible.
- Hiring a consultant to assist the City in evaluating the current operating structure of the Court Department and, if necessary, reorganizing the Court Department and installing new software.
- Outsourcing the Court Department to a court management services firm to run all or part of the court activity.
- Attempting to collect on its outstanding fines by using a warrants officer who has legal authority to issue warrants for the arrest of debtors who do not pay.
- Separating the duties of cash receipts and disbursements related to court fines and forfeitures.
- Having persons who receive payments, including payments received by mail, prepare a list to be used to post receipts to the applicable accounts by another person.
- Journal entries should be approved by a knowledgeable employee other than the one who prepared the entry.

Views of responsible officials and planned corrective action plan

The City agrees with the finding and will proceed as follows:

- The Court Clerk will coordinate with BBI, Inc. to find and correct the errors in the software system.
- The Court Clerk will begin producing a daily cash receipts report which reconciles with the court receipt book and the amount of money deposited into the City's funds and/or the cash bonds fund.
- The Court Clerk will consider a recommendation to hire an outside agency to collect old, outstanding fines.

CITY OF WIGGINS
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
SEPTEMBER 30, 2004

2004-1 (Continued)

- The police department will hire a warrants officer to issue warrants for the arrest of persons who have not paid fines to the City.
- Segregation of Court Clerk duties is not economically feasible at this time; however, we will continue to pursue alternative procedures to mitigate the lack of segregation of duties.

2004-2

Segregation of Duties

The City Clerk, who is responsible for processing and recording all receipts, including petty cash activities and Utility customer payments, also performs the bank reconciliations. A fundamental concept in a good system of internal control is the segregation of duties.

Recommendation

Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. Management should review the current assignments of accounting functions and, where possible, duties should be segregated and controls implemented to reduce the risk of errors or fraud. Such controls might include, but not necessarily be limited to, the following:

- Separating the duties of reconciling the bank accounts and the approving of adjustments to cash.
- Having persons who receive payments, including payments received by mail, prepare a list to be used to post receipts to the applicable accounts by another person. The duties of either of these employees should not include preparing bank reconciliations.
- Journal entries should be approved by an employee other than the one who prepared the entry.
- The City Clerk should not handle or deposit receipts or petty cash.
- The City Clerk should perform surprise counts of petty cash no less than annually.
- Management, other than the City Clerk, should open the bank statements and review them for any unusual items before giving them to the City Clerk to perform the reconciliations. The bank statements should be signed and dated by the person performing the review.
- Reconciliations should be signed and dated by the employee preparing them, reviewed and approved by an appropriate member of management, and signed and dated as an indication of review and approval.

Views of responsible officials and planned corrective action plan

The City agrees with the finding. The Mayor will receive the unopened bank statement, review the statement for unusual items and sign and date the statement to document the review before giving the statement to the City Clerk for reconciliation. Further segregation of the bank reconciliation process is not economically feasible at this time.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

January 6, 2006

Mayor and Board of Alderpersons
City of Wiggins, Mississippi

We have audited the basic financial statements of the City of Wiggins as of and for the year ended September 30, 2004, and have issued our report thereon dated January 6, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations are as follows:

Tax Levy

The City did not set the fiscal year 2004 tax levy within ten days of final approval of the assessment rolls as required by Mississippi Code Section 21-33-45.

We recommend that the City create a checklist of all State and Federal compliance activities that must be performed during the year. The checklist should include the time requirements and any other pertinent information that would assist in timely compliance.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

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