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CITY OF RAYMOND, MISSISSIPPI

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007**

CITY OF RAYMOND, MISSISSIPPI
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

December 4, 2007

The Honorable Board of Aldermen
and Citizens of the City of Raymond, Mississippi:

State of Mississippi law requires that every municipality in the state shall have their books audited annually, prior to the close of the next succeeding fiscal year, either by a competent accountant approved by the State Auditor or by a certified public accountant. The audit shall be made in accordance with regulations promulgated by the State Auditor. Pursuant to that requirement, we hereby issue the annual financial report of the City of Raymond, Mississippi ("City") for the fiscal year ended September 30, 2007.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited in accordance with auditing standards generally accepted in the United States of America by Geoffrey Mullen CPA, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, established in 1829, is located in west central Mississippi, and is the county seat of Hinds County. The City has an official 2000 population of 2,044. The City is empowered to levy a property tax on real and personal properties, utilities and motor vehicles located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing authorities and approved by the appropriate court of jurisdiction.

The City operates under the board-mayor form of government. Legislative authority is vested in a part-time governing city board consisting of five board members elected at large. The City board is responsible, among other things, for passing ordinances, adopting the budget and hiring an independent accountant to provide a full and complete examination of all books of the City at the end of each fiscal year. Executive authority is vested in a full-time mayor elected at large. The mayor may, at her discretion, appoint a city clerk subject to board confirmation. The mayor is responsible, among other things, for enforcing the charter and ordinances of the municipality and all general laws applicable thereto, overseeing day-to-day operation of the City, appointing the head of the various departments subject to board confirmation, annually reporting to the board and the public on the work of the previous year, making recommendations for action by the board and supervising all of the departments of the City. The mayor and board serve concurrent, four-year terms.

The City provides a full range of services, including police protection; construction maintenance of streets, drainage ways and other infrastructure; waste and trash collection and disposal; water and sewer services; community and economic development services; and recreational activities and cultural events.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City submit requests for appropriations to the mayor each year. The mayor uses the requests as a starting point for developing a proposed budget. The mayor then presents this proposed budget to the board for review in July. The board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than September 15. The budget is prepared by fund and department. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is adopted by major expenditure classifications within department or funds. These major classifications are: personnel services, supplies and expenses, capital outlay and transfers, and other charges. Department heads, with approval from the city clerk, may make transfers of appropriations within one of the major classifications within a department. Transfers of appropriations between classifications, however, require a budget amendment approved by the board.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City currently enjoys a favorable economic environment, and indicators point toward continued economic growth and vitality. The City has a diverse economy including manufacturing, retail, and service industries.

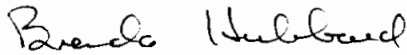
Cash management policies and practices. Cash temporarily idle during the year was invested, as allowed by state statute, in certificates of deposits.

Risk Management. Risk management efforts are coordinated through the city clerk. The City maintains various forms of insurance, including but not limited to workers compensation, property, various liability policies, and employee health insurance.

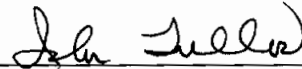
Pension and Retirement Plans. The City and contributes to the Public Employee's Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision 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. Employees covered by PERS are required by statute to contribute 7.25% of their salary to PERS. Ten-year historical trend information showing PERS's progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2007, comprehensive annual financial report.

We would like to thank the Mayor and members of the Board for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Sincerely,



Brenda Hubbard
City Clerk



Isla Tullos
Mayor

CITY OF RAYMOND, MISSISSIPPI

Listing of City Officials

September 30, 2007

Elected Officials

Mayor

Board of Alderman

Board of Alderman

Board of Alderman

Board of Alderman

Board of Alderman

Isla Tullos

Jack Moss

Sidney Mitchell

K.P. Lewis

Randall Harris

Aubrey Barnette

Appointed Officials

City Clerk

Court Clerk

Public Works Director

Police Chief

City Attorney

Zoning Administrator and Building Official

Municipal Court Judge

Brenda Hubbard

Lisa Rainey

Mickey Hunter

Jason Crowtwell

John Fike

Roy Edwards

William W. Ferguson

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the Board of Aldermen
City of Raymond
Raymond, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Raymond, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of City of Raymond, Mississippi's management. 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. 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 information of the City of Raymond, Mississippi, as of September 30, 2007, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and Schedules 1 through 4, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Raymond, Mississippi basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section and statistical tables has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GEOFFREY MULLEN CPA, PLLC

Geoffrey Mullen CPA, PLLC

December 4, 2007

CITY OF RAYMOND
Management's Discussion and Analysis
For Year Ended September 30, 2007
(Unaudited)

As management of the City of Raymond, Mississippi ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-4 of this report

Financial Highlights

- The assets of the City of Raymond exceeded its liabilities at the close of the most recent fiscal year by \$ 4,043,421 (net assets). Of this amount, \$ 2,653,437 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$ 408,646 or 11.2 percent.
- As of the close of the current fiscal year, the City of Raymond's governmental funds reported combined ending fund balances of \$ 722,393. This entire amount is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 522,221 or 58 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government and administration, public safety, and public works. The business-type activities of the City include water and sewer and sanitation operations. The government-wide financial statements can be found on pages 16-19 of this report.

Fund financial statements – A *fund* is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *government activities*.

The City maintains two governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Fire funds.

Proprietary Funds – The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary Fund – The City is the trustee for its employees’ unemployment compensation fund. All of the City’s fiduciary activities are reported in the Statement of Net Assets on page 29.

We exclude these activities from the City’s other financial statements because the City cannot use these amounts to finance operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found pages 30-45.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$ 4,043,421 as of September 30, 2007.

The largest portion of the City's net assets (50 percent) reflects its investments in capital assets (e.g. land building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Raymond's Net Assets

Description	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 761,704	729,398	875,921	773,928	1,637,625	1,503,326
Capital assets	<u>769,835</u>	<u>623,084</u>	<u>2,253,004</u>	<u>2,214,310</u>	<u>3,022,839</u>	<u>2,837,394</u>
Total assets	<u>1,531,539</u>	<u>1,352,482</u>	<u>3,128,925</u>	<u>2,988,238</u>	<u>4,660,464</u>	<u>4,340,720</u>
Long-term liabilities	11,090	31,163	402,014	454,151	413,104	485,314
Other liabilities	<u>66,717</u>	<u>77,450</u>	<u>137,222</u>	<u>141,994</u>	<u>203,939</u>	<u>219,444</u>
Total liabilities	<u>77,807</u>	<u>108,613</u>	<u>539,236</u>	<u>596,145</u>	<u>617,043</u>	<u>704,758</u>
Net assets:						
Invested in capital assets, net of related debt	726,215	545,649	658,645	658,645	1,384,860	1,204,294
Restricted	6,311	4,523	-	-	6,311	4,523
Unrestricted	<u>722,393</u>	<u>693,697</u>	<u>1,931,044</u>	<u>1,733,448</u>	<u>2,653,437</u>	<u>2,427,145</u>
Total net assets	\$ <u>1,454,919</u>	<u>1,243,869</u>	<u>2,589,689</u>	<u>2,392,093</u>	<u>4,044,608</u>	<u>3,635,962</u>

Net assets of the City's governmental activities increased by 11.2 percent.

An additional portion of the City's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$ 2,653,437) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the City as a whole and for its separate governmental and business type activity. The same situation is true for the prior fiscal year.

Governmental Activities. Governmental activities increased the City's net assets by \$211,050. Key elements of these changes are as follows:

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 377,811	397,121	892,237	780,698	1,270,048	1,177,819
Operating grants and contributions	141,378	20,923	-	-	141,378	20,923
Capital grants and contributions	-	-	16,462	30,937	16,462	30,937
General revenues:						
Property taxes	91,515	86,330	-	-	91,515	86,330
Other taxes	328,374	356,483	-	-	328,374	356,483
Investment earnings	23,181	18,406	19,910	18,201	43,091	36,607
Total revenues	<u>962,259</u>	<u>879,263</u>	<u>928,609</u>	<u>829,836</u>	<u>1,890,868</u>	<u>1,709,099</u>
Expenses:						
General government	236,636	238,791	-	-	236,636	238,791
Public safety	377,272	429,552	-	-	377,272	429,552
Highways and streets	131,101	67,275	-	-	131,101	67,275
Cemetery	6,200	12,249	-	-	6,200	12,249
Water and sewer	-	-	731,013	721,386	731,013	721,386
Total expenses	<u>751,209</u>	<u>747,867</u>	<u>731,013</u>	<u>721,386</u>	<u>1,482,222</u>	<u>1,469,253</u>
Increase in net assets	211,050	131,396	197,596	108,450	408,646	239,846
Net assets, October 1	<u>1,112,473</u>	<u>1,243,869</u>	<u>2,283,643</u>	<u>2,393,093</u>	<u>3,396,116</u>	<u>3,636,962</u>
Net assets, September 30	<u>\$ 1,323,523</u>	<u>1,375,265</u>	<u>2,481,239</u>	<u>2,501,543</u>	<u>3,804,762</u>	<u>3,876,808</u>

To aid in the understanding of the Statement of Activities some additional explanation has been given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures and Changes in Net Assets. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

Water and sewer charges for services were \$ 892,2378 which is an increase of 14% from the prior year. The operating expenses were \$ 731,013 which is an increase of 1 percent.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund* balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

Proprietary fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$ 1,931,044. The total increase in net assets was \$ 197,596. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual is presented on page 24. The budget had a favorable amount for the year ended. This, in part, can be attributed to the significant increases in grant revenue and decreases in budgeted expenses.

Capital Asset and Debt Administration

Capital Assets

At the end of September 30, 2007, the City had invested \$ 2,953,126 in net capital assets including police and fire equipment, buildings, roads, and water and sewer lines (see table below). This represents a net increase of \$ 115,732, or 4.08 percent, over last year.

City of Raymond's Capital Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 71,541	71,541	46,985	46,985	118,526	118,526
Building	59,624	59,624	83,889	54,887	143,513	114,511
Improvements	324,386	214,074	3,464,423	3,385,753	3,788,809	3,599,827
Machinery and equipment	302,962	300,786	249,772	215,757	552,734	516,543
Infrastructure	4,913	4,913	-	-	4,913	4,913
Less accumulated depreciation	(63,304)	(27,854)	(1,592,065)	(1,489,072)	(1,655,369)	(1,516,926)
Total	\$ 700,122	623,084	2,253,004	2,214,310	2,953,126	2,837,394

Additional information on the City's capital assets can be found in note 4 on pages 40-41 of this report.

Long-term debt. At year end, the City had \$ 413,104 in outstanding notes compared to \$ 485,314 last year. That is an increase of 14.8 percent.

Economic Factors and Next Year's Budget and Rates

There are no expectations of significant increases or decreases in government or business-type funds revenues and expenditures. Water and Sewer rates and milage rates will be increased if the Board of Aldermen determines it to be necessary and approves such an increase. Budgets are determined based on expected revenues and expenditures.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need any additional information, contact City Hall, Attn. City Clerk, at P.O. Box 10, Raymond, MS 39154, or call (601) 857-8041.

BASIC FINANCIAL STATEMENTS

CITY OF RAYMOND
Government-Wide Statement of Net Assets
September 30, 2007

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 161,050	216,916	377,966
Investments	547,589	557,080	1,104,669
Receivables, net:			
Ad valorem	2,283	-	2,283
Sales taxes	16,988	-	16,988
Franchise taxes	22,336	-	22,336
Customer accounts	-	95,606	95,606
Interest	4,155	2,043	6,198
Internal balances	992	1,147	2,139
Prepaid items	6,311	3,129	9,440
Capital assets:			
Land	71,541	46,985	118,526
Buildings	59,624	83,889	143,513
Improvements	324,386	3,464,423	3,788,809
Machinery and equipment	302,962	249,772	552,734
Infrastructure	4,913	-	4,913
Construction in progress	69,713	-	69,713
Accumulated depreciation	<u>(63,304)</u>	<u>(1,592,065)</u>	<u>(1,655,369)</u>
Total assets	\$ <u>1,531,539</u>	<u>3,128,925</u>	<u>4,660,464</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF RAYMOND
 Government-Wide Statement of Net Assets
 September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 20,556	46,126	66,682
Accrued salaries	2,981	133	3,114
Compensated absences	8,511	1,536	10,047
Deposits payable	-	25,586	25,586
Due to other funds	2,139	-	2,139
Noncurrent liabilities:			
Due within one year	32,530	63,841	96,371
Due in more than one year	11,090	402,014	413,104
	77,807	539,236	617,043
<u>NET ASSETS</u>			
Invested in capital, net of related debt	726,215	658,645	1,384,860
Restricted for:			
Prepaid	6,311	-	6,311
Unrestricted	722,393	1,931,044	2,653,437
	1,454,919	2,589,689	4,044,608
	\$ 1,454,919	2,589,689	4,044,608

CITY OF RAYMOND
Government-wide Statement of Activities
For the Year Ended September 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 236,636	162,964	141,378	-
Public safety	377,272	209,647	-	-
Highways and streets	131,101	-	-	-
Cemetary	6,200	5,200	-	-
Total governmental activities	751,209	377,811	141,378	-
Business-type activities:				
Water and sewer	731,013	892,237	-	16,462
Total government	\$ 1,482,222	1,270,048	141,378	16,462

General revenues:

- Property taxes
- Sales taxes
- Franchise taxes
- Utility
- Grand Gulf
- Motor fuel taxes
- Intergovernmental
- Homestead exemption
- Unrestricted investment earnings
- Disposal of fixed assets

Total general revenues

Change in net assets

Net assets, October 1, 2006

Net assets, September 30, 2007

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
67,706	-	67,706
(167,625)	-	(167,625)
(131,101)	-	(131,101)
(1,000)	-	(1,000)
<u>(232,020)</u>	<u>-</u>	<u>(232,020)</u>
-	177,686	177,686
<u>(232,020)</u>	<u>177,686</u>	<u>(54,334)</u>
91,515	-	91,515
175,933	-	175,933
76,070	-	76,070
33,596	-	33,596
20,385	-	20,385
3,951	-	3,951
8,741	-	8,741
9,698	-	9,698
23,181	19,910	43,091
<u>-</u>	<u>-</u>	<u>-</u>
<u>443,070</u>	<u>19,910</u>	<u>462,980</u>
211,050	197,596	408,646
<u>1,243,869</u>	<u>2,392,093</u>	<u>3,635,962</u>
<u>\$ 1,454,919</u>	<u>2,589,689</u>	<u>4,044,608</u>

CITY OF RAYMOND
 Balance Sheet – Government Funds
 September 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 148,462	12,588	161,050
Investments	408,461	139,128	547,589
Receivables, net:			
Ad valorem taxes	2,283	-	2,283
Sales taxes	16,988	-	16,988
Franchise taxes	22,336	-	22,336
Interest	1,498	2,657	4,155
Due from other funds	-	992	992
Prepaid items	5,442	869	6,311
	<hr/>	<hr/>	<hr/>
Total assets	\$ 605,470	156,234	761,704
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 15,608	-	15,608
Accrued salaries	2,981	-	2,981
Due from other funds	2,139	-	2,139
Compensated absences	8,511	-	8,511
Due to state assessment	4,948	-	4,948
Capital Lease	43,620	-	43,620
	<hr/>	<hr/>	<hr/>
Total liabilities	77,807	-	77,807
	<hr/>	<hr/>	<hr/>
Fund balances			
Reserved for prepaid	5,442	869	6,311
Unreserved	522,221	155,365	677,586
	<hr/>	<hr/>	<hr/>
Total fund balances	527,663	156,234	683,897
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 605,470	156,234	761,704
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF RAYMOND
Reconciliation of the Balance Sheet to Governmental Funds
to the Statement of Net Assets
September 30, 2007

**Reconciliation of the Governmental Funds Balance
Sheet to Statement of Net Assets September 30, 2006:**

Total Fund Balance – total governmental funds	\$ 620,785
Amounts reported for governmental activities in the the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	<u>623,084</u>
Net Assets of governmental activities	<u>\$ 1,243,869</u>

See accompanying notes to basic financial statements.

CITY OF RAYMOND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues			
Taxes:			
Property	\$ 91,515	-	91,515
Sales	175,933	-	175,933
Franchise	76,070	-	76,070
Utility	33,596	-	33,596
Motor fuel	3,951	-	3,951
Grand Gulf	20,385	-	20,385
Licenses and permits	3,198	-	3,198
Intergovernmental	142,245	7,874	150,119
Inspection fees	1,090	-	1,090
Fines and forfeitures	200,919	-	200,919
Local contributions	8,728	-	8,728
Interest on investments	15,817	7,364	23,181
Miscellaneous	173,574	-	173,574
Total revenues	<u>947,021</u>	<u>15,238</u>	<u>962,259</u>
Expenditures			
General government	240,247	-	240,247
Public safety	400,111	5,812	405,923
Highways and streets	134,289	-	134,289
Cemetery	6,200	-	6,200
Capital outlay	112,488	-	112,488
Total expenditures	<u>893,335</u>	<u>5,812</u>	<u>899,147</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,686</u>	<u>9,426</u>	<u>63,112</u>
Other financing sources (uses)			
Transfers in	-	5,500	5,500
Transfers out	(5,500)	-	(5,500)
Total other financing sources (uses)	<u>(5,500)</u>	<u>5,500</u>	<u>-</u>
Net change in fund balances	48,186	14,926	63,112
Fund balance, October 1, 2006	<u>479,477</u>	<u>141,308</u>	<u>620,785</u>
Fund balance, September 30, 2007	<u>\$ 527,663</u>	<u>156,234</u>	<u>683,897</u>

See accompanying notes to basic financial statements.

CITY OF RAYMOND
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities
Year Ended September 30, 2006

Net change in fund balance – total governmental funds \$ 16,119

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

Government funds report capital outlay as expenditures.
However, in the government-wide statement of activities
and changes in net assets, the cost of those assets is
allocated over their useful lives as depreciation expense.
This is the amount of capital assets recorded in the
current period.

136,749

Depreciation expense on capital assets is reported in the
government-wide statement of activities and changes
in net assets, but it does not require the use of current
financial resources. Therefore, depreciation expense
is not reported as an expenditure in governmental funds.

(21,472)

Change in net assets of governmental activities \$ 131,396

See accompanying notes to basic financial statements.

CITY OF RAYMOND
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget to Actual
 Year Ended September 30, 2007

	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u> <u>Amounts</u>	Variance with Budget Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 91,475	91,515	40
Sales	170,000	175,933	5,933
Franchise	85,000	76,070	(8,930)
Utility	33,133	33,596	463
Motor fuel	4,000	3,951	(49)
Grand Gulf	20,000	20,385	385
Licenses and permits	4,200	3,198	(1,002)
Intergovernmental	207,030	142,245	(64,785)
Inspection fees	500	1,090	590
Fines and forfeitures	94,650	200,919	106,269
Local contributions	14,600	8,728	(5,872)
Interest on investments	13,183	15,817	2,634
Miscellaneous	164,740	173,574	8,834
Total revenues	902,511	947,021	44,510
Expenditures:			
General government	235,210	240,247	(5,037)
Public safety	291,212	400,111	(108,899)
Highways and streets	307,177	134,289	172,888
Cemetery	12,250	6,200	6,050
Capital outlay	51,162	112,488	(61,326)
Total expenditures	897,011	893,335	3,676
Excess (deficiency) of revenues over (under) expenditures	5,500	53,686	48,186
Other financing sources (uses):			
Transfers out	(5,500)	(5,500)	-
Total other financing sources (uses)	(5,500)	(5,500)	-
Net change	\$ -	48,186	48,186

See accompanying notes to basic financial statements.

CITY OF RAYMOND
Statement of Net Assets - Proprietary Fund
September 30, 2007

ASSETS

Current assets:	
Cash and cash equivalents	\$ 216,916
Investments	557,080
Receivables:	
Accounts	98,106
Less allowance for uncollectible accounts	(2,500)
Interest	2,043
Prepays	3,129
Due from other funds	1,147
Total current assets	<u>875,921</u>
Noncurrent assets:	
Land	46,985
Building	83,889
Improvements	3,464,423
Machinery and equipment	249,772
Accumulated depreciation	<u>(1,592,065)</u>
Total noncurrent assets	<u>2,253,004</u>
Total assets	<u>3,128,925</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 46,126
Accrued liabilities:	
Payroll	133
Compensated absences	1,536
Promissory loans-current portion	63,841
Customer deposits	25,586
Total current liabilities	<u>137,222</u>
Noncurrent liabilities:	
Promissory loans	<u>402,014</u>
Total liabilities	<u>539,236</u>

NET ASSETS

Invested in capital assets	658,645
Unrestricted	<u>1,931,044</u>
Total net assets	<u>\$ 2,589,689</u>

See accompanying notes to basic financial statements.

CITY OF RAYMOND
Statement Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended September 30, 2007

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 454,937
Sewer charges	391,943
Tap fees	7,350
Garbage collection fees	<u>38,007</u>
Total operating revenues	<u>892,237</u>
Operating expenses:	
Wages and benefits	190,525
Electricity	69,180
Insurance	17,410
Administrative	169,039
Repairs and maintenance	96,463
Vehicle	29,219
Depreciation	102,993
Garbage disposal service	<u>38,843</u>
Total operating expenses	<u>713,672</u>
Operating income (loss)	<u>178,565</u>
Nonoperating revenues (expenses):	
Grants, Government	16,462
Interest income	19,910
Interest expense	<u>(17,341)</u>
Total nonoperating revenues (expenses)	<u>19,031</u>
Change in net assets	197,596
Net assets, October 1, 2006	<u>2,392,093</u>
Net assets, September 30, 2007	<u><u>\$ 2,589,689</u></u>

See accompanying notes to basic financial statements.

CITY OF RAYMOND
Statement of Cash Flow - Proprietary Fund
Year ended September 30, 2007

Cash flows from operating activities:	
Receipts from customers and users	\$ 872,295
Payments to suppliers	(429,299)
Payments to employees	<u>(191,498)</u>
Net cash provided by operating activities	<u>251,498</u>
 Cash flows from noncapital financing activities:	
Payments from other funds	<u>(5,798)</u>
Net cash provided by noncapital financing activities	<u>(5,798)</u>
 Cash flows from capital and related financing activities:	
Operating grants received	16,462
Acquisition of capital assets	(141,687)
Payments of long-term debt	(56,796)
Proceeds from long-term debt	13,301
Interest paid on debt	<u>(17,341)</u>
Net cash used in capital and related financing activities	<u>(186,061)</u>
 Cash flows from investing activities:	
Purchase of investments	(24,164)
Interest received	<u>19,910</u>
Net cash used in investing activities	<u>(4,254)</u>
Net decrease in cash and cash equivalents	55,385
Cash and cash equivalents, October 1, 2006	<u>161,531</u>
Cash and cash equivalents, September 30, 2007	<u><u>\$ 216,916</u></u>

(Continued)

CITY OF RAYMOND
Statement of Cash Flow - Proprietary Fund
Year ended September 30, 2007

**Reconciliation of operating loss to net
cash provided by operating activities:**

Operating income	\$ <u>178,565</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	102,993
Changes in assets and liabilities:	
Accounts receivable	(21,712)
Prepaid items	415
Accounts payable	(9,560)
Accrued liabilities	(973)
Customer deposits	<u>1,770</u>
Total adjustments	<u>72,933</u>
Net cash provided by operating activities	\$ <u><u>251,498</u></u>

CITY OF RAYMOND
Statement of Net Assets – Fiduciary Fund
September 30, 2007

ASSETS

Cash and cash equivalents	\$ 2,504
Interest Receivable	<u>9</u>
Total assets	<u><u>2,513</u></u>

NET ASSETS

Total net assets	<u><u>\$ 2,513</u></u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies

The City of Raymond, Mississippi (“City”), was incorporated 1830. The City is governed by an elected mayor and a five-member board. It provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability is to exercise oversight responsibility authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries for the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the relationship of these criteria, the City has no component units that are to be included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City’s police and fire protection, public works, and general administrative services are classified as governmental activities. The City’s water and sewer services are classified as business-type activities.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the Water and Sewer Fund that is included in revenue and expenses, where applicable.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Measurement Focus, Basis of Accounting, Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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 are reported 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. Revenues are considered to be available when they are collectible 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 30 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 judgment, are recorded only when payment is due. Expenditure-driven grants are recognizable as revenue when the qualifying expenditures have been incurred and all other grant requirements are met.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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

Property and sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. No major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City may electively add funds, as major funds, which either had debt outstanding or specific community focus. There are no major funds combined in a column in the fund financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents and Investments

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments, including deferred compensation and pension funds, are stated at fair value (quoted market price or the best available estimate).

F. Receivable and Payables

Transactions 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" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

F. Receivable and Payables (Continued)

All accounts receivable are shown net of an allowance for uncollectible amounts, where applicable. This allowance is based on the estimated ability to collect accounts receivable, with particular emphasis placed on individual outstanding balances greater than sixty days old.

Property taxes attach as an enforcement lien on property as of January 1. Taxes levied in September of the prior year and are payable in three installments on February 1 (1/2), May 1 (1/4), and August 1 (1/4). Taxes are considered past due 60 days after February 1, at which time delinquent assessments are sold at a public sale each August.

The City has an agreement with Hinds County pursuant to which the tax collector of Hinds County has assumed the duty and responsibility for billing and collecting all City ad valorem taxes including, but not limited to, all taxes on real property, personal property, public utilities property, and special taxes and assessments assessed by the City.

The City recognizes tax revenues upon collection from the county tax collector. In addition, the City makes an accrual for amounts collected by the county tax collector as of September 30 and remitted to the City within 30 days after year end.

The tax rate of the City is expressed in terms of mills (ten mills equal one cent). For the year ended September 30, 2007, the City's 2007 combined tax rate for the general governmental services and other municipal services was 0.02117 or \$ 0.02117 per \$ 1,000 of assessed valuation.

G. Inventories and Prepaid Items

Inventories in the general fund consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method, if applicable.

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$ 1,000 or more and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

In accordance with Governmental Accounting Standards Board Statement No. 34, general government infrastructure assets have been capitalized beginning the year ended September 30, 2004.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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

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

Buildings	20–50 years
Water and sewer system	30–50 years
Machinery and equipment	5–10 years
Improvements	10–20 years
Other infrastructure	10–50 years

I. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Liabilities will be paid at time of employee resignations and retirements.

J. Long-term Obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Other Post Employment Benefits

The City does not provide post-employment health or dental care benefits for any retirees or their dependents.

L. Fund Equity/Net Assets

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

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Equity/Net Assets (Continued)

In the government-wide and proprietary fund financial statements, the City reports net assets in the following three categories:

Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets – consists of assets, less any related liabilities, restricted externally by creditors, grants, contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of net assets that are not classified as invested in capital assets, net of related debt or restricted assets.

M. Financial Statement Format

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. For consistency, certain 2006 financial statement accounts have been reclassified to conform with the 2007 financial statement presentation. Such reclassifications had no material effect on the City's financial position, changes in financial position, or cash flows.

The "increase/(decrease)" columns in the financial statements and footnotes are presented only to facilitate financial analysis and understanding. Data in these columns are not required disclosures and do not present financial position, changes in financial position, or cash flows in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 – Stewardship, Compliance and Accountability

A. Budgetary Information

The City adopts annual budgets for all governmental, proprietary, and fiduciary funds on a basis consistent with state law, the more significant of which is discussed below.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 2 – Stewardship, Compliance and Accountability (Continued)

A. Budgetary Information (Continued)

The City adopts annual budgets in accordance with statutory requirements established by the Mississippi Municipal Budget Law Section 21-35-1, Mississippi Code Ann. (1972) Chapter 35 Title 21 and regulatory requirements established by Section 21-35-29, Mississippi Code Ann. (1972). State law requires revenues and expenditures to be budgeted as follows: revenues which should be credited to the budget are those which are legally received (cash basis) from October 1 through September 30 at the minimum legal level required by the state auditor; expenditures which should be charged to the budget are those which are legally budgeted and disbursed during the fiscal year or within 30 days thereafter. The purpose level or object (personnel services, supplies and expenses, capital outlay, and transfers and other charges) is the minimum legal level determined by the State Auditor where expenditures may not exceed appropriations. The City adopts budgets for special revenue and capital project funds by fund type as a whole rather than individual funds. A governing authority may, at its discretion, adopt an annual budget at a more detailed level if it so desires. Expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time. Penalties for exceeding the budget apply at the legal level (lowest level adopted by the governing authority) except for capital outlay, election expenses and payment of emergency warrants. All appropriations lapse 30 days after year-end. Appropriations paid after this period must be budgeted again during the next budget year. State law requires approval from the governing authorities for expenditures to be made, proprietary funds and funds confiscated and forfeited in connection to drug and liquor cases to have an adopted budget. Fiduciary funds do not require board approval to make disbursements.

The City's appropriated budget is adopted by fund, function and object. State law allows a governing authority to revise its budget at any time except in specific situations as defined in Mississippi Municipal Budget Law, Section 21-35-25. Budget revisions that result in more than a 10% change in the department's original budget must be published. This publication must explain the revision, including the amounts, need and purpose. Management may amend the budget without approval the Board for expenditures falling in different accounts within the level at which the Board adopts its budget. The Board may, by unanimous vote, make expenditures, borrow money or incur liabilities necessary to meet any emergency as defined by state statute without further notice or hearing and may revise the budget accordingly.

The budget process is initiated by the Mayor, who, with the assistance of management, formulates a proposed operating budget for the next fiscal year and submits it to the Board for discussion and approval. Public notice is given regarding public budget hearings to obtain taxpayer comments. After discussion of the proposed budget and after a consensus is reached, the budget is adopted by board ordinance no later than September 15 of each year. In the event the proposed budget is not adopted by September 15, no expenditure may be authorized nor any warrant issued, except for bonds, notes, debt and interest, after October 1 of each year, unless and until such time as the budget is adopted.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 2 – Stewardship, Compliance and Accountability (Continued)

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances, if applicable, since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. These encumbrances lapse in 30 days after year end if not paid in accordance the state budgeting requirements discussed in the above “Budgetary Information” section.

NOTE 3 – Deposits with Financial Institutions and Investments

The collateral for public entities’ deposits in financial institutions are 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 Miss. Code Ann (1972). Under this program, the entities’ 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 the 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.

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

The City’s investments are categorized to give indication of the risk level assumed by the City at year end into these three categories of credit risk:

- Category 1 – Insured or registered, or securities held by the City or its agent in the City’s name.
- Category 2 – Uninsured or unregistered, with securities held by the counter party’s trust department or agent in the City’s name.
- Category 3 – Uninsured or unregistered, with securities held by the counter party or by its trust department or agent, but not in the City’s name.

At September 30, 2007, the financial institution was adequately collateralized.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 4 – Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

Governmental Activities

	<u>Balance September 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 71,541	-	-	\$ 71,541
Buildings	59,624	-	-	59,624
Improvements	168,226	-	-	168,226
Machinery and equipment	156,667	-	-	156,667
Construction in progress	-	69,713	-	69,713
	<u>456,058</u>	<u>69,713</u>	<u>-</u>	<u>525,771</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	-	-	-	-
Improvements	45,848	110,312	-	156,160
Machinery and equipment	144,119	2,176	-	146,295
Infrastructure	4,913	-	-	4,913
	<u>194,880</u>	<u>112,488</u>	<u>-</u>	<u>307,368</u>
Total capital assets, being depreciated				
Less accumulated depreciation:				
Improvements	2,355	6,044	-	8,399
Machinery and equipment	24,628	29,078	-	53,706
Infrastructure	871	328	-	1,199
	<u>27,854</u>	<u>35,450</u>	<u>-</u>	<u>63,304</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>167,026</u>	<u>77,038</u>	<u>-</u>	<u>244,064</u>
Total governmental activities capital assets, net	<u>\$ 623,084</u>	<u>146,751</u>	<u>-</u>	<u>\$ 769,835</u>

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 4 – Capital Assets (Continued)

Business Type Activities

	<u>Balance September 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2007</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 46,985	-	-	\$ 46,985
Total capital assets, not being depreciated	<u>46,985</u>	<u>-</u>	<u>-</u>	<u>46,985</u>
Capital assets, being depreciated:				
Buildings	54,887	29,002	-	83,889
Improvements	3,385,753	78,670	-	3,464,423
Machinery and equipment	<u>215,757</u>	<u>34,015</u>	<u>-</u>	<u>249,772</u>
Total capital assets, being depreciated	<u>3,656,397</u>	<u>141,687</u>	<u>-</u>	<u>3,798,084</u>
Less accumulated depreciation:				
Buildings	-	-	-	-
Improvements	1,319,466	82,183	-	1,401,649
Machinery and equipment	<u>169,606</u>	<u>20,810</u>	<u>-</u>	<u>190,416</u>
Total accumulated depreciation	<u>1,489,072</u>	<u>102,993</u>	<u>-</u>	<u>1,592,065</u>
Total capital assets, being depreciated, net	<u>\$ 2,167,325</u>	<u>38,694</u>	<u>-</u>	<u>\$ 2,206,019</u>
Total business-type activities capital assets, net	<u>\$ 2,214,310</u>	<u>38,694</u>	<u>-</u>	<u>\$ 2,253,004</u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
Improvements		\$ 6,044
Machinery and equipment		29,078
Infrastructure		<u>328</u>
Total depreciation expense - governmental activities		<u>\$ 35,450</u>
Business-type activities:		
Improvements		\$ 82,183
Machinery and equipment		<u>20,810</u>
Total depreciation expense - business-type activities		<u>\$ 102,993</u>

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 5 – Long-Term Debt

Enterprise Fund

The following is a summary of notes payable for the City's Enterprise Fund for the year ended September 30, 2007:

	<u>October 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30,</u> <u>2007</u>
Capmark Finance	\$ 53,916	-	6,716	\$ 47,200
MDECD	243,165	-	34,714	208,451
MDECD	212,269	-	13,769	198,500
Bancorpsouth Equipment Finance	<u>-</u>	<u>13,301</u>	<u>1,597</u>	<u>11,704</u>
	<u>\$ 509,350</u>	<u>13,301</u>	<u>56,796</u>	<u>\$ 465,855</u>

The following is the Enterprise Fund Long-Term Debt as of September 30, 2007:

Note payable to Capmark Finance. The note dated August 19, 1980, bears interest of 5%. Principal and interest are due in monthly installments of \$ 772, including interest. The note is collateralized by a parity lien on revenues earned by the Water and Sewer Fund. The note was originally with GMAC Commercial Mortgage Corporation, but is now with the current lender, under the original terms. \$ 47,200

Note payable to Mississippi Department of Economic and Community Development. The note dated February 1, 1998, bears interest of 3.7%.. Principal and interest are due in monthly installments of \$ 3,594. 208,451

Note payable to Mississippi Department of Economic and Community Development. The note dated August 1, 1999, bears interest of 3%. Principal and interest are due in monthly installments of \$ 1,662. 198,500

Capital lease with Bancorpsouth Equipment Finance, a division of Bancorpsouth Bank. The lease dated July 5, 2007, an original amount of \$ 13,301, bears an interest of 4.59% per annum. The lease is secured by a Ford F-150 truck and is due in monthly installments of \$ 581.09. Twenty-four monthly payments are due beginning twenty-four days from the date of the note. 11,704

Total debt 465,855
Less current maturities (63,841)

Total long-term debt \$ 402,014

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

NOTE 5 –Long-Term Debt(Continued)

Future minimum principal payments of debt for the Enterprise Fund are as follows:

Year Ending September 30:

2008	\$ 63,841
2009	64,547
2010	61,647
2011	63,964
2012	66,369
2013 - 2017	109,945
2018 - 2022	<u>35,542</u>
	<u>\$ 465,855</u>

Interest expense for the Enterprise Fund for the year ended September 30, 2007, totaled \$ 17,341.

General Fund

The following is a summary of notes payable for the City's General Fund for the year ended September 30, 2007:

	<u>October 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30,</u> <u>2007</u>
First Continental Leasing	\$ <u>77,435</u>	<u>-</u>	<u>33,815</u>	\$ <u>43,620</u>
	<u>\$ 77,435</u>	<u>-</u>	<u>33,815</u>	<u>\$ 43,620</u>

Interest expense for the General Fund for the year ended September 30, 2007, totaled \$ 2,611.

The following is the General Fund Long-Term Debt as of September 30, 2007:

Capital lease with First Continental Leasing, a division of Bancorpsouth Bank. The lease dated February 8, 2006 bears interest at 3.89% per annum. The lease is secured by automobiles and is due in monthly installments of \$ 2,801 Ninety-six payments due three years from the date of the note.	<u>43,620</u>
Total debt	43,620
Less current maturities	<u>(32,530)</u>
Total long-term debt	<u>\$ 11,090</u>

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2007

Future minimum principal payments of debt for the General Fund are as follows:

Year Ending September 30:

2008	\$ 32,530
2009	11,090
2010	-
2011	-
2012	-
2013 - 2017	<u>-</u>
	<u>\$ 43,620</u>

NOTE 6 – Pension Plan

Plan Description:

The City of Raymond contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit 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.

Funding Policy:

PERS members are required to contribute 7.25% of their annual covered salary, and the City of Raymond is required to contribute at an actuarially determined rate. The contribution requirements of PERS members are established and may be amended by the State of Mississippi Legislature. The City of Raymond's contributions to PERS for the year ending September 30, 2007, were \$ 59,764, equal to the required contributions for the year.

CITY OF RAYMOND
Notes to Basic Financial Statements
For the Year Ended September 30, 2006

NOTE 7 – Solid Waste

The City of Raymond contracts its solid waste management with a private service company. The annual cost to the City of Raymond for the service is \$ 38,843.

NOTE 8 – Budgetary Information

Current year budgetary information includes amendments as approved by the Board of Aldermen.

NOTE 9 – Interfund Balances and Transfers

The General Fund transferred \$ 5,500 to the Fire Fund (Special Revenue Fund) in order to subsidize the volunteer fire department.

The City was reimbursed by the Water and Sewer fund for administrative services provided by the General Fund. The amount reimbursed during the year was \$ 123,240.

NOTE 10 – Related Organizations

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond approval of appointments to membership. The Mayor and the Board of Aldermen approve appointments to the Raymond Historic Preservation Commission and the Raymond Planning Commission.

SUPPLEMENTARY INFORMATION

CITY OF RAYMOND
 Reconciliation of Original Ad Valorem Tax Rolls
 To Fund Collections
 Year Ended September 30, 2007

Schedule 1

	<u>Assessed Value</u>	<u>Millage</u>	<u>Ad Valorem Taxes</u>
Adjusted assessed valuation:			
Realty	2,880,965	21.17	\$ 60,990
Personal property - other than auto	722,276	21.17	15,291
Public utilities	1,586,956	21.17	33,596
Personal auto	<u>1,358,054</u>	21.17	<u>28,750</u>
 Total City valuation	<u>6,548,251</u>		138,626
Less homestead exemption allowed			<u>(13,553)</u>
 Total City ad valorem taxes			125,073
Adjustments to original tax roll:			
Realty		189	
Personal		<u>20</u>	209
Add:			
Actual homestead exemption		9,698	
Prior year tax collection		<u>272</u>	<u>9,970</u>
 Total City to account for			<u>\$ 135,252</u>
Accounted for as follows:	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
General fund	\$ <u>121,992</u>	<u>9,698</u>	131,690
Balances represented by:			
Unpaid personal property			2,283
Tax collector's commission			<u>1,279</u>
 Total ad valorem taxes			<u>\$ 135,252</u>

CITY OF RAYMOND
Schedule of Surety Bonds for Municipal Officers
September 30, 2007

Schedule 2

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Isla Tullos	Mayor	St. Paul Companies	\$ 25,000
Brenda Hubbard	City Clerk	St. Paul Companies	\$ 50,000
Jason Crotwell	Police Chief	St. Paul Companies	\$ 50,000
Lisa Raney	Court Clerk	St. Paul Companies	\$ 10,000
Jack Moss	Alderman	St. Paul Companies	\$ 5,000
Sidney Mitchell	Alderman	St. Paul Companies	\$ 5,000
Aubrey Barnette	Alderman	St. Paul Companies	\$ 5,000
Randall Harris	Alderman	St. Paul Companies	\$ 5,000
K.P. Lewis	Alderman	St. Paul Companies	\$ 5,000

CITY OF RAYMOND
 General Fund
 Statement of Government Revenues and Expenditures
 Year Ended September 30, 2007 and 2006

Schedule 3

	<u>2007</u>	<u>2006</u>
Revenues:		
Taxes:		
Real	\$ 46,395	\$ 45,134
Personal	16,744	13,999
Auto	28,376	27,197
Sales	175,933	174,193
Franchise	76,070	85,719
Utility	33,596	31,255
Motor fuel	3,951	3,952
Grand Gulf	20,385	20,544
Licenses and permits:		
Building permits	1,187	1,631
Privilege license	2,011	2,249
Intergovernmental:		
General municipal aid	867	867
Grant revenue	141,378	20,923
FEMA / MEMA	-	21,412
Inspection fees	1,090	615
Fines and forfeitures	209,647	238,315
Local contributions	600	1,936
Interest on investments	15,817	13,817
Miscellaneous:		
Homestead exemption	9,698	9,149
Cemetery fees	5,800	16,800
Rent	32,325	25,208
Administrative reimbursement	123,240	102,700
Other	1,911	7,667
	<u> </u>	<u> </u>
Total revenues	\$ <u>947,021</u>	\$ <u>865,282</u>

(Continued)

CITY OF RAYMOND
 General Fund
 Statement of Government Revenues and Expenditures
 Year Ended September 30, 2007 and 2006

Schedule 3
(Continued)

	<u>2007</u>	<u>2006</u>
Expenditures:		
General government:		
Salaries and benefits	\$ 165,511	\$ 159,357
Supplies	4,425	4,033
Other services	70,311	61,624
Grant expenses	110,312	13,310
Capital outlay	2,176	-
Total general government	<u>352,735</u>	<u>238,324</u>
Public safety:		
Salaries and benefits	262,055	236,018
Supplies	9,008	4,814
Other services	129,048	163,886
Capital outlay	-	115,749
Total public safety	<u>400,111</u>	<u>520,467</u>
Highways and streets:		
Salaries and benefits	34,578	33,343
Supplies	2,783	3,197
Other services	27,215	28,761
Capital outlay	69,713	21,000
Total highways and streets	<u>134,289</u>	<u>86,301</u>
Cemetery	<u>6,200</u>	<u>12,249</u>
Total expenditures	<u>893,335</u>	<u>857,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 53,686</u>	<u>\$ (11,443)</u>

CITY OF RAYMOND
Proprietary Fund
Statement of Revenues and Expenses
Year Ended September 30, 2007 and 2006

Schedule 4

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for sales and services:		
Water sales	\$ 454,937	\$ 368,512
Sewer charges	391,943	373,750
Tap fees	7,350	1,500
Garbage collection fees	38,007	36,936
Total operating revenues	<u>892,237</u>	<u>780,698</u>
 Operating expenses:		
Wages and benefits	190,525	162,310
Electricity	69,180	80,160
Insurance	17,410	15,958
Administrative	169,039	153,113
Repairs and maintenance	96,463	118,340
Vehicle	29,219	30,117
Depreciation	102,993	100,351
Garbage disposal service	38,843	36,311
Total operating expenses	<u>713,672</u>	<u>696,660</u>
 Operating income (loss)	 <u>178,565</u>	 <u>84,038</u>
 Nonoperating revenues (expenses):		
Grants, Government	16,462	30,937
Interest income	19,910	18,201
Interest expense	(17,341)	(24,726)
Total nonoperating revenues (expenses)	<u>19,031</u>	<u>24,412</u>
 Net income	 <u>\$ 197,596</u>	 <u>\$ 108,450</u>

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

Honorable Mayor, Members of the Board of Aldermen
City of Raymond
Raymond, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City Raymond, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the City of Raymond, Mississippi's basic financial statements, and have issued our report thereon dated March 6, 2007. 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.

Compliance

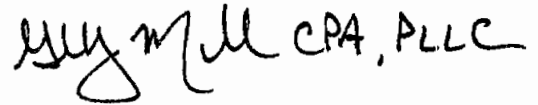
As part of obtaining reasonable assurance about whether the City of Raymond, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Raymond, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Raymond, Mississippi, in a separate letter dated March 6, 2007.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GEOFFREY MULLEN CPA, PLLC

A handwritten signature in black ink, appearing to read "G Mullen CPA, PLLC". The signature is stylized and cursive.

December 4, 2007