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**CITY OF RAYMOND, MISSISSIPPI**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**

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**INTRODUCTORY SECTION**

November 26, 2010

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, 2010.

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 H. Allen Associates, 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, 2010 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, 2010, 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 August. 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 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 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, 2010, 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,



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Brenda Hubbard  
City Clerk



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Isla Tullos  
Mayor

**CITY OF RAYMOND, MISSISSIPPI**

Listing of City Officials  
September 30, 2010

**Elected Officials**

Mayor

Board of Aldermen

Board of Aldermen

Board of Aldermen

Board of Aldermen

Board of Aldermen

Isla Tullos  
Lou Anne Askew  
Aubrey Barnette  
K.P. Lewis  
Randall Harris  
Jack Moss

**Appointed Officials**

City Clerk

Court Clerk

Public Works Director

Police Chief

City Attorney

Zoning Administrator and Building Official

Municipal Court Judge

Brenda Hubbard  
Lisa Raney  
Larry Hoover  
Jason Crowtwell  
John Fike  
Jeff Williamson  
Jimmy Morton

**FINANCIAL SECTION**

## 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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have issued our report dated November 26, 2010 on our consideration of City of Raymond, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

## **H. ALLEN ASSOCIATES, PLLC**

November 26, 2010  
Jackson, Mississippi

CITY OF RAYMOND, MISSISSIPPI  
Managements Discussion and Analysis  
For the Year Ended September 30, 2010  
(Unaudited)

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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, 2010. 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 \$5,028,318 (net assets). Of this amount, \$1,706,68 (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 \$516,345, or 11 percent.
- As of the close of the current fiscal year, the City of Raymond’s governmental funds reported combined ending fund balances of \$1,641,815. Of this amount, \$750,619 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 \$750,619, or 75 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 15-19 of this report.

**Fund financial statements** – A *fund* is a 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-

CITY OF RAYMOND, MISSISSIPPI  
Managements Discussion and Analysis  
For the Year Ended September 30, 2010  
(Unaudited)

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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 - 43.

**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 \$5,028,318 as of September 30, 2010.

The largest portion of the City’s net assets (66 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, MISSISSIPPI  
 Managements Discussion and Analysis  
 For the Year Ended September 30, 2010  
 (Unaudited)

**City of Raymond's Net Assets**

Description	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 869,792	\$ 735,769	\$ 1,006,551	\$ 897,781	\$ 1,876,343	\$ 1,633,550
Capital assets	<u>885,072</u>	<u>848,194</u>	<u>3,224,080</u>	<u>3,045,485</u>	<u>4,109,152</u>	<u>3,893,679</u>
Total assets	<u>\$ 1,754,864</u>	<u>\$ 1,583,963</u>	<u>\$ 4,230,631</u>	<u>\$ 3,943,266</u>	<u>\$ 5,985,495</u>	<u>\$ 5,527,229</u>
Long-term liabilities	-	-	713,196	784,293	713,196	784,293
Other liabilities	<u>113,049</u>	<u>64,635</u>	<u>130,932</u>	<u>166,328</u>	<u>243,981</u>	<u>230,963</u>
Total liabilities	<u>\$ 113,049</u>	<u>\$ 64,635</u>	<u>\$ 844,128</u>	<u>\$ 950,621</u>	<u>\$ 957,177</u>	<u>\$ 1,015,256</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 866,196	\$ 829,318	\$ 2,430,441	\$ 2,173,752	\$ 3,296,637	\$ 3,003,070
Restricted	25,000	-	-	-	25,000	-
Unrestricted	<u>750,619</u>	<u>690,011</u>	<u>956,062</u>	<u>818,893</u>	<u>1,706,681</u>	<u>1,508,904</u>
Total net assets	<u>\$ 1,641,815</u>	<u>\$ 1,519,329</u>	<u>\$ 3,386,503</u>	<u>\$ 2,992,645</u>	<u>\$ 5,028,318</u>	<u>\$ 4,511,974</u>

Net assets of the City's governmental activities increased by 8 percent.

A 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* (\$750,619) 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 \$122,486.

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.

CITY OF RAYMOND, MISSISSIPPI  
 Managements Discussion and Analysis  
 For the Year Ended September 30, 2010  
 (Unaudited)

**Business-type Activities**

Water and sewer charges for services were \$978,790 which is an increase of 2.6% from the prior year. The operating expenses were \$785,768 which is an decrease of 3.5% from the prior year.

Description	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 164,680	\$ 118,888	\$ 978,790	\$ 953,929	\$ 1,143,470	\$ 1,072,817
Operating grants and contributions	330,229	11,668	191,727	253,216	521,956	264,884
General revenues:						
Property taxes	101,450	102,855	-	-	101,450	102,855
Other taxes	326,969	309,472	-	-	326,969	309,472
Miscellaneous	192,517	186,509	-	71	192,517	186,580
Investment earnings	6,061	9,192	6,040	11,671	12,101	20,863
Total revenues	<u>1,121,906</u>	<u>738,584</u>	<u>1,176,557</u>	<u>1,218,887</u>	<u>2,298,463</u>	<u>1,957,471</u>
<b>Expenses:</b>						
General government	552,416	306,387	-	-	552,416	306,387
Public safety	315,107	300,350	-	-	315,107	300,350
Highways and streets	120,334	81,196	-	-	120,334	81,196
Cemetery	11,563	12,750	-	-	11,563	12,750
Water, sewer and interest	-	-	782,698	795,096	782,698	795,096
Total expenses	<u>999,420</u>	<u>700,683</u>	<u>782,698</u>	<u>795,096</u>	<u>1,782,118</u>	<u>1,495,779</u>
<b>Increase in net assets</b>	122,486	37,901	393,859	423,791	516,345	461,692
<b>Net assets, October 1</b>	<u>1,519,329</u>	<u>1,481,428</u>	<u>2,992,644</u>	<u>2,568,853</u>	<u>4,511,973</u>	<u>4,050,281</u>
<b>Net assets, September 30</b>	<u>\$ 1,641,815</u>	<u>\$ 1,519,329</u>	<u>\$ 3,386,503</u>	<u>\$ 2,992,644</u>	<u>\$ 5,028,318</u>	<u>\$ 4,511,973</u>

CITY OF RAYMOND, MISSISSIPPI  
 Managements Discussion and Analysis  
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 (Unaudited)

**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 \$956,062. The total increase in net assets was \$393,859. 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, 2010, the City had invested \$4,109,152 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 \$215,470, or 5.5 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 71,541	\$ 71,541	\$ 46,985	\$ 46,985	\$ 118,526	\$ 118,526
Building	264,094	203,455	101,634	101,634	365,728	305,089
Improvements	420,625	420,625	4,751,888	4,448,069	5,172,513	4,868,694
Machinery and Equipment	336,410	311,492	280,725	273,952	617,135	585,444
Less Accumulated Depreciation	<u>(207,598)</u>	<u>(158,919)</u>	<u>(1,957,152)</u>	<u>(1,825,152)</u>	<u>(2,164,750)</u>	<u>(1,984,071)</u>
Total	<u>\$ 885,072</u>	<u>\$ 848,194</u>	<u>\$ 3,224,080</u>	<u>\$ 3,045,488</u>	<u>\$ 4,109,152</u>	<u>\$ 3,893,682</u>

CITY OF RAYMOND, MISSISSIPPI  
Managements Discussion and Analysis  
For the Year Ended September 30, 2010  
(Unaudited)

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Additional information on the City's capital assets can be found in note 4 on pages 38 - 39 of this report.

**Long-term debt.** At year end, the City had \$812,515 in outstanding notes compared to \$871,733 last year. That is an decrease of 6.79 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 millage 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, MISSISSIPPI**  
Government-Wide Statement of Net Assets  
September 30, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 215,988	\$ 317,490	\$ 533,478
Investments	550,071	521,432	1,071,503
Receivables, net:			
Ad valorem	1,716	-	1,716
Sales taxes	13,200	-	13,200
Franchise taxes	21,035	-	21,035
Customer accounts	-	146,592	146,592
Grant receivable	55,509	-	55,509
Interest	4,199	944	5,143
Internal balances	-	15,322	15,322
Due from other funds	1,560	-	1,560
Prepaid items	6,514	4,771	11,285
Capital assets:			
Land	71,541	46,985	118,526
Buildings	264,094	101,634	365,728
Improvements	420,625	4,751,888	5,172,513
Machinery and equipment	336,410	280,725	617,135
Accumulated depreciation	<u>(207,598)</u>	<u>(1,957,152)</u>	<u>(2,164,750)</u>
<b>Total assets</b>	<b><u>\$ 1,754,864</u></b>	<b><u>\$ 4,230,631</u></b>	<b><u>\$ 5,985,495</u></b>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Government-Wide Statement of Net Assets  
September 30, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
 <b><u>LIABILITIES</u></b>			
Accounts payable	\$ 56,279	\$ 15,717	\$ 71,996
Accrued expenses	21,013	4,244	25,257
Customer deposits	-	30,528	30,528
Internal balances	16,881	-	16,881
Noncurrent liabilities:			
Due within one year	7,465	80,443	87,908
Due in more than one year	11,411	713,196	724,607
<b>Total liabilities</b>	113,049	844,128	957,177
 <b><u>NET ASSETS</u></b>			
Invested in capital, net of related debt	866,196	2,430,441	3,296,637
Restricted	25,000	-	25,000
Unrestricted	750,619	956,062	1,706,681
<b>Total net assets</b>	\$ 1,641,815	\$ 3,386,503	\$ 5,028,318

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
 Government-wide Statement of Activities  
 For the Year Ended September 30, 2010

<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>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 552,416	\$ 45,293	\$ 330,229	\$ -
Public safety	315,107	118,137	-	-
Highways and streets	120,334	-	-	-
Cemetary	<u>11,563</u>	<u>1,250</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>999,420</u>	<u>164,680</u>	<u>330,229</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>782,698</u>	<u>1,170,517</u>	<u>-</u>	<u>-</u>
<b>Total government</b>	<u><u>\$1,782,118</u></u>	<u><u>\$ 1,335,197</u></u>	<u><u>\$ 330,229</u></u>	<u><u>\$ -</u></u>

**General revenues:**

- Property taxes
- Sales taxes
- Franchise taxes
- Utility
- Grand Gulf
- Motor fuel taxes
- Homestead exemption
- Unrestricted investment earnings
- Miscellaneous

**Total general revenues**

**Change in net assets**

**Net assets, October 1, 2009**

**Net assets, September 30, 2010**

See accompanying notes to financial statements.

**Net (Expense) Revenue and Changes in Net  
Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (176,894)	\$ -	\$ (176,894)
(196,970)	-	(196,970)
(120,334)	-	(120,334)
<u>(10,313)</u>	<u>-</u>	<u>(10,313)</u>
<u>(504,511)</u>	<u>-</u>	<u>(504,511)</u>
<u>-</u>	<u>387,819</u>	<u>(1,009,022)</u>
<u>(504,511)</u>	<u>387,819</u>	<u>(1,513,533)</u>
101,450	-	101,450
188,686	-	188,686
69,914	-	69,914
31,597	-	31,597
22,389	-	22,389
3,951	-	3,951
10,432	-	10,432
6,061	6,040	12,101
<u>192,517</u>	<u>-</u>	<u>192,517</u>
<u>626,997</u>	<u>6,040</u>	<u>633,037</u>
122,486	393,859	516,345
<u>1,519,329</u>	<u>2,992,644</u>	<u>4,511,973</u>
<u>\$ 1,641,815</u>	<u>\$ 3,386,503</u>	<u>\$ 5,028,318</u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**

Balance Sheet – Government Funds

September 30, 2010

	<u>ASSETS</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash and cash equivalents	\$ 194,393	\$ 21,595	\$ 215,988
Investments	371,584	178,487	550,071
Receivables, net:			
Ad valorem taxes	1,716	-	1,716
Sales taxes	13,200	-	13,200
Franchise taxes	21,035	-	21,035
Grant receivable	55,509		55,509
Interest	1,542	2,657	4,199
Due from other funds	-	1,560	1,560
Prepaid items	<u>6,152</u>	<u>362</u>	<u>6,514</u>
<b>Total assets</b>	<u>\$ 665,131</u>	<u>\$ 204,661</u>	<u>\$ 869,792</u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 56,279	\$ -	\$ 56,279
Accrued salaries	4,458	-	4,458
Compensated absences	7,871	-	7,871
Due to state assessment	8,684	-	8,684
Due to other funds	<u>16,881</u>	<u>-</u>	<u>16,881</u>
<b>Total liabilities</b>	94,173	-	94,173

**Fund balances**

Restricted	25,000	-	25,000
Unrestricted	<u>545,958</u>	<u>204,661</u>	<u>750,619</u>
<b>Total fund balances</b>	<u>570,958</u>	<u>204,661</u>	<u>775,619</u>
<b>Total liabilities and fund balances</b>	<u>\$ 665,131</u>	<u>\$ 204,661</u>	<u>\$ 869,792</u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
 Reconciliation of the Balance Sheet to Governmental Funds  
 To the Statement of Net Assets  
 September 30, 2010

Reconciliation of the Governmental Funds Balance

Sheet to Statement of Net Assets September 30, 2010:

Total Fund Balance - total governmental funds	\$ 775,619
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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.	885,072
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The issuance of long-term debt provides current financial  
 resources to governmental funds, while the repayment  
 of the principal of long-term debt consumes the current  
 financial resources of governmental funds. Neither  
 transaction has any effect on net assets. This amount  
 is the net effect of these differences in the treatment of  
 long-term debt:

New long-term debt issued	(21,117)
Principal payments on long-term debt	<u>2,241</u>

Net Assets of governmental activities	<u><u>\$ 1,641,815</u></u>
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See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2010

	<b>General</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Revenues</b>			
Taxes:			
Property	\$ 101,450	\$ -	\$ 101,450
Sales	188,686	-	188,686
Franchise	69,914	-	69,914
Utility	31,597	-	31,597
Motor fuel	3,951	-	3,951
Grand Gulf	22,389	-	22,389
Homestead exemption	10,432	-	10,432
Licenses and permits	9,012	-	9,012
Intergovernmental	319,097	11,132	330,229
Inspection fees	1,450	-	1,450
Fines and forfeitures	118,137	-	118,137
Local contributions	200	-	200
Rents	34,631	-	34,631
Cemetery lots	1,250	-	1,250
Interest on investments	3,914	2,147	6,061
Miscellaneous	192,517	-	192,517
Total revenues	1,108,627	13,279	1,121,906
<b>Expenditures</b>			
General government	503,737	-	503,737
Public safety	311,499	3,608	315,107
Highways and streets	120,334	-	120,334
Cemetery	11,563	-	11,563
Capital outlay	85,557	-	85,557
Total expenditures	1,032,690	3,608	1,036,298
<b>Excess (deficiency) of revenues over (under) expenditures</b>	75,937	9,671	85,608
<b>Other financing sources (uses)</b>			
Transfers in	-	6,500	6,500
Transfers out	(6,500)	-	(6,500)
Total other financing sources (uses)	(6,500)	6,500	-
<b>Net change in fund balances</b>	69,437	16,171	85,608
<b>Fund balance, October 1, 2009</b>	501,520	188,490	690,010
<b>Fund balance, September 30, 2010</b>	\$ 570,957	\$ 204,661	\$ 775,618

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the  
Statement of Activities  
Year Ended September 30, 2010

<b>Net change in fund balance - total governmental funds</b>	\$ 85,608
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.	
	85,557
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.	<u>(48,679)</u>
<b>Change in net assets of governmental activities</b>	<u>\$ 122,486</u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget to Actual  
 Year Ended September 30, 2010

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<b>Variance with Budget Positive (Negative)</b>
<b>Revenues:</b>			
Taxes	\$ 230,900	\$ 229,301	\$ (1,599)
Licenses & Permits	5,500	10,462	4,962
Intergovernmental revenue	245,850	518,215	272,365
Fines & forfeitures	76,500	118,137	41,637
Miscellaneous	236,180	232,512	(3,668)
Nondepartmental	<u>488,000</u>	<u>488,000</u>	<u>-</u>
<b>Total revenues</b>	<u>1,282,930</u>	<u>1,596,627</u>	<u>313,697</u>
<b>Expenditures:</b>			
General government and administration	364,757	564,376	(199,619)
Police department	322,712	336,417	(13,705)
Street department	94,461	126,834	(32,373)
Cemetery department	13,000	11,563	1,437
Nondepartmental	<u>488,000</u>	<u>488,000</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,282,930</u>	<u>1,527,190</u>	<u>(244,260)</u>
<b>Excess (deficiency) of revenues</b>	<u>\$ -</u>	<u>\$ 69,437</u>	<u>\$ 69,437</u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement of Net Assets - Proprietary Fund  
September 30, 2010

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 317,490
Investments	521,432
Receivables:	
Accounts	158,592
Less allowance for uncollectible accounts	(12,000)
Interest	944
Due from other funds	15,322
Prepays	<u>4,771</u>
<b>Total current assets</b>	<b><u>1,006,551</u></b>
Noncurrent assets:	
Land	46,985
Building	101,634
Improvements	4,751,888
Machinery and equipment	280,725
Accumulated depreciation	<u>(1,957,152)</u>
<b>Total noncurrent assets</b>	<b><u>3,224,080</u></b>
<b>Total assets</b>	<b><u>4,230,631</u></b>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 15,717
Accrued liabilities:	
Payroll	133
Compensated absences	4,111
Promissory loans-current portion	80,443
Customer deposits	<u>30,528</u>
<b>Total current liabilities</b>	<b>130,932</b>
Noncurrent liabilities:	
Promissory loans	<u>713,196</u>
<b>Toal liabilities</b>	<b><u>844,128</u></b>

**NET ASSETS**

Invested in capital assets	2,430,441
Unrestricted	<u>956,062</u>
<b>Total net assets</b>	<b><u>\$3,386,503</u></b>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
Year ended September 30, 2010

*(Continued)*

<b>Operating revenues:</b>	
Charges for sales and services:	
Water sales	\$ 501,397
Sewer charges	423,387
Tap fees	5,055
Garbage collection fees	<u>48,951</u>
Total operating revenues	<u>978,790</u>
 <b>Operating expenses:</b>	
Wages and benefits	171,685
Electricity	65,765
Insurance	23,126
Administrative	160,656
Repairs and maintenance	145,428
Vehicle	15,615
Depreciation	132,007
Garbage disposal service	<u>47,426</u>
Total operating expenses	<u>761,708</u>
<b>Operating income (loss)</b>	217,082
 <b>Nonoperating revenues (expenses):</b>	
Grants, Government	191,727
Interest income	6,040
Interest expense	<u>(20,990)</u>
Total nonoperating revenues (expenses)	<u>176,777</u>
<b>Change in net assets</b>	393,859
<b>Net assets, October 1, 2009</b>	<u>2,992,644</u>
<b>Net assets, September 30, 2010</b>	<u><u>\$3,386,503</u></u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement of Cash Flow - Proprietary Fund  
Year ended September 30, 2010

<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 900,981
Payments to suppliers	(486,572)
Payments to employees	<u>(171,757)</u>
<b>Net cash provided by operating activities</b>	<u>242,652</u>
<b>Cash flows from capital and related financing activities:</b>	
Operating grants received	191,727
Acquisition of capital assets	(310,602)
Issuance of long-term debt	113,112
Payments of long-term debt	(191,206)
Interest paid on debt	<u>(20,990)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(217,959)</u>
<b>Cash flows from investing activities:</b>	
Invested funds used	96,375
Interest received	<u>6,040</u>
<b>Net cash used in investing activities</b>	<u>102,415</u>
<b>Net decrease in cash and cash equivalents</b>	127,108
<b>Cash and cash equivalents, October 1, 2009</b>	<u>190,382</u>
<b>Cash and cash equivalents, September 30, 2010</b>	<u><u>\$ 317,490</u></u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement of Cash Flow - Proprietary Fund  
Year ended September 30, 2010

*(Continued)*

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

Operating income	<u>\$ 217,082</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	132,007
Changes in assets and liabilities:	
Accounts receivable	(78,038)
Accounts payable	(28,628)
Customer deposits	<u>229</u>
Total adjustments	<u>25,570</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 242,652</u></u>

See accompanying notes to financial statements.

**CITY OF RAYMOND, MISSISSIPPI**  
Statement of Net Assets – Fiduciary Fund  
September 30, 2010

**ASSETS**

Current asstes:	
Cash and cash equivalents	\$ 2
Certificate of deposit	2,676
Interest Receivable	<u>30</u>
<b>Total assets</b>	<b><u>\$ 2,708</u></b>

**NET ASSETS**

Net assets:	
Unrestricted	<u>\$ 2,708</u>
<b>Total net assets</b>	<b><u>\$ 2,708</u></b>

See accompanying notes to financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**NOTE 1 – Summary of Significant Accounting Policies**

The City of Raymond, Mississippi (“the 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 are 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, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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 is reported using accounting principles similar to proprietary funds.

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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, 2010, the City's 2009 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.

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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

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.

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**L. Fund Equity/Net Assets (Continued)**

**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 2009 financial statement accounts have been reclassified to conform to the 2010 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.

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.

## CITY OF RAYMOND, MISSISSIPPI

Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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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.

### **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 not utilized by the City.

### **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.

**CITY OF RAYMOND, MISSISSIPPI**

Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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, 2010, the financial institution was adequately collateralized.

**NOTE 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2010, was as follows:

Governmental Activities

	<u>Balance</u> <u>September 30,</u> <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 71,541	\$ -	\$ -	\$ 71,541
Buildings	59,624	-	-	59,624
Improvements	166,825	-	-	166,825
Machinery and equipment	158,068	-	-	158,068
	<u>456,058</u>	<u>-</u>	<u>-</u>	<u>456,058</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	143,831	60,639	-	204,470
Improvements	253,800	-	-	253,800
Machinery and equipment	153,424	24,918	-	178,342
	<u>551,055</u>	<u>85,557</u>	<u>-</u>	<u>636,612</u>
Total capital assets, being depreciated				
Less accumulated depreciation:				
Buildings	16,799	9,897	-	26,696
Improvements	29,001	9,775	-	38,776
Machinery and equipment	113,119	29,007	-	142,126
	<u>158,919</u>	<u>48,679</u>	<u>-</u>	<u>207,598</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>392,136</u>	<u>36,878</u>	<u>-</u>	<u>429,014</u>
<b>Total governmental activities</b>				
<b>capital assets, net</b>	<u>\$ 848,194</u>	<u>\$ 36,878</u>	<u>\$ -</u>	<u>\$ 885,072</u>

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

**NOTE 4 – Capital Assets (Continued)**

Business Type Activities

	<b>Balance September 30, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2010</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 46,985	\$ -	\$ -	\$ 46,985
Total capital assets, not being depreciated	46,985	-	-	46,985
Capital assets, being depreciated:				
Buildings	101,634	-	-	101,634
Improvements	4,448,069	303,819	-	4,751,888
Machinery and equipment	273,952	6,773	-	280,725
Total capital assets, being depreciated	4,823,655	310,592	-	5,134,247
Less accumulated depreciation:				
Buildings	1,065	710	-	1,775
Improvements	1,598,776	113,485	-	1,712,261
Machinery and equipment	225,311	17,805	-	243,116
Total accumulated depreciation	1,825,152	132,000	-	1,957,152
Total capital assets, being depreciated, net	2,998,503	178,592	-	3,177,095
<b>Total business-type activities capital assets, net</b>	<b>\$ 3,045,488</b>	<b>\$ 178,592</b>	<b>\$ -</b>	<b>\$ 3,224,080</b>

Depreciation expense was charged to functions as follows:

**Governmental activities:**

Buildings	\$ 9,897
Improvements	9,775
Machinery and equipment	29,007
<b>Total depreciation expense - governmental activities</b>	<b>\$ 48,679</b>

**Business-type activities:**

Buildings	\$ 710
Improvements	113,485
Machinery and equipment	17,805
<b>Total depreciation expense - business-type activities</b>	<b>\$ 132,000</b>

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

**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, 2010:

	<b>October 1,</b>			<b>September 30,</b>
	<b>2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>2010</b>
Capmark Finance	\$ 32,681	\$ -	\$ 32,681	\$ -
Mississippi Development Authority	131,877	-	38,735	93,142
Mississippi Development Authority	167,215	-	13,687	153,528
USDA Rural Development Authority	42,634	-	42,634	-
USDA Rural Development Authority	43,758	-	43,758	-
State of Mississippi	453,568	-	19,711	433,857
State of Mississippi	<u>-</u>	<u>113,112</u>	<u>-</u>	<u>113,112</u>
	<u>\$ 871,733</u>	<u>\$ 113,112</u>	<u>\$ 191,206</u>	<u>\$ 793,639</u>

The following are the details of the Enterprise Fund Long-Term Debt as of September 30, 2010:

Note payable to Mississippi Development Authority. The note, dated June 24, 1996, bears interest of 3.7%. Principal and interest are due in monthly installments of \$3,594, collateralized by sales tax receipts.	\$93,142
Note payable to Mississippi Development Authority. The note, dated November 26, 1997, bears interest of 3%. Principal and interest are due in monthly installments of \$1,662, collateralized by sales tax receipts.	153,528
Note payable to the State of Mississippi. The note, dated September 15, 2010, bears interest of 1.75%. Principal and interest are due in monthly installments of \$565, collateralized by sales tax receipts.	113,112
Note payable to the State of Mississippi. The note, dated October 17, 2007, bears interest of 5.625%. Principal and interest are due in monthly installments of \$2,365, collateralized by sales tax receipts.	<u>433,857</u>
Total debt	793,639
Less current maturities	<u>(80,443)</u>
Total long-term debt	<u>\$713,196</u>

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**NOTE 5 – Long-Term Debt (Continued)**

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

**Year Ending September 30:**

2011	\$ 80,443
2012	83,315
2013	53,310
2014	43,412
2015	44,439
Later years	<u>488,720</u>
	<u>\$ 793,639</u>

Interest expense for the Enterprise Fund for the year ended September 30, 2010, totaled \$20,990.

**General Fund**

The following are the details of the General Fund Long-Term Debt as of September 30, 2010:

Capital lease payable to BancorpSouth. The lease, dated March 2, 2010, bears interest of 3.41%. Principal and interest are due in monthly installments of \$ 618, collateralized by equipment.

\$18,876

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

**Year Ending September 30:**

2011	\$ 7,465
2012	7,136
2013	<u>4,275</u>
	<u>\$ 18,876</u>

Interest expense for the General Fund for the year ended September 30, 2010, totaled \$848.

**CITY OF RAYMOND, MISSISSIPPI**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2010

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**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 9.00% 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, 2010, were \$59,231, equal to the required contributions for the year.

**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 for the year ended September 30, 2010 was \$47,426.

**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 \$6,500 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 \$150,000.

**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, MISSISSIPPI**  
 Reconciliation of Original Ad Valorem Tax Rolls  
 To Fund Collections  
 Year Ended September 30, 2010

**Schedule 1**

	<b><u>Assessed Value</u></b>	<b><u>Millage</u></b>	<b><u>Ad Valorem Taxes</u></b>
<b>Adjusted assessed valuation:</b>			
Realty	\$3,594,333	21.17	\$ 76,092
Personal property - other than auto	704,592	21.17	14,916
Public utilities	1,492,543	21.17	31,597
Personal auto	<u>1,089,674</u>	21.17	<u>23,068</u>
 <b>Total City valuation</b>	 <b><u>\$6,881,142</u></b>		 <b>145,674</b>
 Less homestead exemption allowed	 <b><u>\$ 730,879</u></b>	 21.17	 <b><u>(15,473)</u></b>
 <b>Total City ad valorem taxes</b>			 <b>130,201</b>
 <b>Adjustments to original tax roll:</b>			
Personal auto		<u>(1,153)</u>	(1,153)
 <b>Add:</b>			
Actual homestead exemption		10,432	
Prior year tax collection		<u>2,283</u>	<u>12,715</u>
 <b>Total City to account for</b>			 <b><u>\$ 141,763</u></b>
 <b>Accounted for as follows:</b>			
General fund	<u>\$137,043</u>	<u>10,432</u>	\$ 147,475
 <b>Balances represented by:</b>			
Unpaid personal property			(1,716)
Tax collector's commission			<u>(3,996)</u>
 <b>Total ad valorem taxes</b>			 <b><u>\$ 141,763</u></b>

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

**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
Aubrey Barnette	Alderman	St. Paul Companies	\$ 5,000
Lou Ann Askew	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, MISSISSIPPI**  
 General Fund  
 Statement of Government Revenues and Expenditures  
 Year Ended September 30, 2010 and 2009

	<u>Schedule 3</u>	
	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Taxes:		
Real	\$ 62,051	\$ 60,549
Personal	15,647	15,323
Auto	23,752	26,983
Franchise	69,914	70,743
Utility	31,597	34,188
Motor fuel	3,951	3,951
Grand Gulf	22,389	21,737
Licenses and permits:		
Building permits	7,235	2,759
Privilege license	1,777	2,434
Inspection fees	1,450	920
Intergovernmental:		
Sales	188,686	167,956
Homestead exemption	10,432	10,897
General municipal aid	864	867
Grant revenue	318,233	-
Fines and forfeitures	118,137	80,812
Miscellaneous:		
Interest on investments	3,914	5,870
Cemetery fees	1,250	1,275
Rent	34,631	30,488
Administrative reimbursement	150,000	150,000
Local contributions	200	200
Other	42,517	36,509
	<u>1,108,627</u>	<u>724,461</u>
Total revenues	<u>1,108,627</u>	<u>724,461</u>

*(Continued)*

**CITY OF RAYMOND, MISSISSIPPI**  
 General Fund  
 Statement of Government Revenues and Expenditures  
 Year Ended September 30, 2010 and 2009

**Schedule 3**

*(Continued)*

<b>Expenditures:</b>		
General government:		
Salaries and benefits	\$ 176,359	\$ 172,462
Supplies	17,231	18,647
Other services	67,010	74,876
Grant expenses	250,917	-
Capital outlay	64,422	4,037
Total general government	575,939	270,022
Public safety:		
Salaries and benefits	265,314	252,760
Supplies	27,652	26,577
Other services	18,533	17,222
Capital outlay	24,918	-
Total public safety	336,417	296,559
Highways and streets:		
Salaries and benefits	70,947	42,919
Supplies	34,069	21,112
Other services	15,318	16,686
Capital outlay	-	4,945
Total highways and streets	120,334	85,662
Fire department	6,500	6,500
Total expenditures	1,039,190	658,743
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 69,437</b>	<b>\$ 65,718</b>

**CITY OF RAYMOND, MISSISSIPPI**  
Proprietary Fund  
Statement of Revenues and Expenses  
Year Ended September 30, 2010 and 2009

**Schedule 4**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Operating revenues:</b>		
Charges for sales and services:		
Water sales	\$ 501,397	\$ 460,583
Sewer charges	423,387	443,333
Tap fees	5,055	5,623
Garbage collection fees	48,951	44,390
Total operating revenues	<u>978,790</u>	<u>953,929</u>
 <b>Operating expenses:</b>		
Wages and benefits	171,685	168,082
Electricity	65,765	81,409
Insurance	23,126	18,360
Administrative	160,656	160,932
Repairs and maintenance	145,428	166,814
Vehicle	15,615	17,900
Depreciation	132,007	122,065
Garbage disposal service	47,426	44,348
Total operating expenses	<u>761,708</u>	<u>779,910</u>
 <b>Operating income (loss)</b>	 <u>217,082</u>	 <u>174,019</u>
 <b>Nonoperating revenues (expenses):</b>		
Grants, Government	191,727	253,216
Interest income	6,040	11,671
Miscellaneous	-	71
Interest expense	(20,990)	(15,186)
Total nonoperating revenues (expenses)	<u>176,777</u>	<u>249,772</u>
 <b>Net income</b>	 <b><u>\$ 393,859</u></b>	 <b><u>\$ 423,791</u></b>

**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, 2010, which collectively comprise the City of Raymond, Mississippi's basic financial statements, and have issued our report thereon dated November 26, 2010. 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 Raymond, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Raymond, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Raymond, Mississippi's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

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

## **H. ALLEN ASSOCIATES, PLLC**

November 26, 2010  
Jackson, Mississippi

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

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

We have audited the basic financial statements as of and for the year ended September 30, 2010 and have issued our report dated November 26, 2010. 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 general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

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.

**H. ALLEN ASSOCIATES, PLLC**

November 26, 2010  
Jackson, Mississippi