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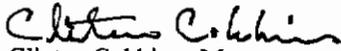
**City of Lexington
112 Spring Street
Lexington, Mississippi 39095**

Office of the State Auditor
P O Box 956
Jackson, MS 39205

Re: Annual Municipal Compilation

Accompanying this letter are two hard copies and an electronic copy of the annual Audit of the City of Lexington, Mississippi, for the fiscal year ended September 30, 2014. A separate management letter was not written to the City in connection with this audit.

Sincerely,


Clinton Cobbins, Mayor
City of Lexington

RECEIVED

FEB 24 2015

City of Lexington, Mississippi

**Audited Financial Statement
For the Year Ended on September 30, 2014**

100-111
500 2014

*Dungan CPA Company
120 South Natchez Street
Kosciusko, Mississippi 39090*

City of Lexington
Table of Contents

PAGE

Financial Statement

Independent Auditor's Report.....4
Combined Statement of Cash Receipts and Disbursements – All Fund Types.....7
Notes to Financial Statements.....10

Supplemental Information

Schedule of Long-Investments..... 13
Schedule of Capital Assets..... 14
Schedule of Long-Term Debt.....15
Schedule of Surety Bonds for Municipal Officials.....16

Internal Control And Compliance

Independent Auditor's Report on Compliance with State Laws and Regulations.....18

CITY OF LEXINGTON
INDEPENDENT AUDITOR'S REPORT

DUNGAN CPA COMPANY

Dungan CPA, Co.
120 S Natchez Street
Kosciusko, MS 39090

Telephone 662-289-9007
Fax 662-289-6644

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Alderpersons
City of Lexington
Lexington, Mississippi

I have audited the Statement of Cash Receipts and Disbursements of the City of Lexington, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statement, which collectively comprise the City of Lexington's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion on General Fund

As described in Note 1, the City of Lexington, Mississippi prepared its financial statement on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Qualified Opinion

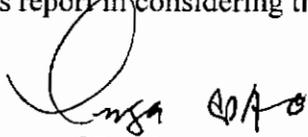
In my opinion, except for the effects the cash adjustments to the cash account balance as discussed in the previous paragraph, the financial statement referred to above present fairly, in all material respects, the cash receipts and disbursements of the City of Lexington for the year ended September 30, 2013 on the basis of accounting described in Note 1.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statement of the City of Lexington, Mississippi taken as a whole. Schedules 1-5, as required by the Mississippi Office of the State Auditor, are presented for the purposes of additional analysis and are not a required part of the audited financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements and, accordingly, I do not express an opinion or any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2014, on my consideration of the City of Lexington's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contract, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Dungan CPA Company
November 20, 2014

FINANCIAL STATEMENT

City of Lexington, Mississippi
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 For the Fiscal Year Ended September 30, 2014

	Governmental Funds				Business-type Activities	
	General	Special Revenue	Capital Projects	Fiduciary Funds	Totals (Memorandum Only) 2014	Proprietary Funds
Revenue Receipts:						
General Property Taxes	\$ 385,272				385,272	
Franchise Tax	72,993				72,993	
Intergovernmental Revenues:						
CDBG & Home Grant	7,556				7,556	0
County Fire Protection	11,933				11,933	
Road & Heavy Truck Tax	3,002				3,002	
State Shared Revenue:						
Sales Tax	460,118				460,118	
Nuclear Plant	22,730				22,730	
Homestead Exemption	33,968				33,968	
Alcohol Beverage License	1,800				1,800	
General Aid to Municipalities	281,695				281,695	
Charges for Services:						
Water & Sewer Utility	0				0	742,915
Other Receipts:						
Fines & Forfeits	58,664				58,664	
Lexington Homes Revenue	36,703				36,703	
Privilege License	11,091				11,091	
Other General Fund Revenue	36,705				36,705	
Rent	38,500				38,500	
Interest	677		0	0	677	
Transfers	158,902	0	0	0	158,902	
Total Receipts	<u>1,622,310</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,622,310</u>	<u>742,915</u>
Cash Balance-Beginning of Year	560,996	3,600	0	0	564,596	126,507
Total Amount to Account For	<u>\$ 2,183,306</u>	<u>\$ 3,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,186,906</u>	<u>\$ 869,422</u>

City of Lexington, Mississippi
COMBINED STM OF CASH RECEIPTS AND DISBURSEMENTS
 For the Fiscal Year Ended September 30, 2014

	Governmental Funds				Business-type Activities	
	General	Special Revenue	Capital Projects	Fiduciary Funds	Totals (Memorandum Only) 2014	Proprietary Funds
Operating Disbursements						
General Government (Exec and Financial)	\$ 325,515				325,515	
Public Safety						
Police	668,230				668,230	
Fire	35,786				35,786	
Library	5,392				5,392	
Airport	2,947				2,947	
Parks	3,653				3,653	
Enterprises						
Water & Sewer Utility					0	493,814
Loan Repayments	57,778				57,778	80,292
Transfer to Other Funds	0			0	0	158,902
Street Department	287,480				287,480	
CDBG & Home Projects	7,556			0	7,556	
Capitalization	302,722	0			302,722	17,243
Total Disbursements	<u>1,697,059</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,697,059</u>	<u>750,251</u>
Cash Balance-End of Year	486,247	3,600	0	0	489,847	119,172
Total Amount Accounted For	<u>\$ 2,183,306</u>	<u>\$ 3,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,186,906</u>	<u>\$ 869,422</u>

City of Lexington, Mississippi

**Notes to the Financial Statement
September 30, 2014**

City of Lexington
Notes to Financial Statements
September 30, 2014

Note 1 - Summary of significant accounting policies

General Information

The City operates under the Mayor-Alderman form of government and provides services as authorized by law.

Reporting Entity:

The financial statement for the City consists of all the funds of the City.

Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Funds are classified into categories as follows:

Governmental Funds

General Fund

The General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

City of Lexington
Notes to Financial Statements
September 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Property Tax Revenues

The City's Board, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. For the current year, the City levied taxes in the amount of 49.75 mills.

Memorandum Total

The total column is captioned "memorandum only" to indicate that it is presented only to facilitate analysis. Data in this column does not present the financial position of the City in conformity with the cash basis of accounting. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data

Note 2 – Report Classifications

Receipts and disbursements were classified according to requirements for small cities in the State of Mississippi as prescribed by the Office of the State Auditor.

Note 3 – Commitment and Contingencies

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

Grant monies received and disbursed by the City are for specific purposes and are subject to audit and review by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City.

Note 4 – Deposits with Financial Institutions and Investments

At September 30, 2014 the carrying amount (recorded on the City's books) of the City's cash deposits, including certificates of deposit, was \$609,018 and the bank balance was \$686,865.

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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

City of Lexington
Supplemental Information
September 30, 2014

City of Lexington, Mississippi
Schedule of Investments-All Funds
For the Fiscal Year ended September 30, 2014

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Investment Value</u>
Fudiciary	Certificate of Deposit	.002%	4-21-12	4-21-14	73,250
General Fund	Certificate of Deposit	.001%	8-10-12	2-06-14	52,246
General Fund	Certificate of Deposit	.001%	8-15-21	2-11-14	58,840

City of Lexington, Mississippi
Schedule of Capital Assets
For the Fiscal Year ended September 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Buildings	\$ 1,482,331	\$ 256,762		\$ 1,739,093
Machinery and Equipment	262,106			262,106
Water System	3,816,580	45,961		
Infrastructure	37,373	17,243		54,616
Total Government	<u>\$ 5,598,390</u>	<u>\$ 319,965</u>	<u>\$ -</u>	<u>\$ 5,918,355</u>

**City of Lexington, Mississippi
 Schedule of Long-Term Debt
 For the Fiscal Year ended September 30, 2014**

<u>Definition & Purpose</u>	<u>Balance Outstanding October 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding September 30, 2014</u>
MDA – Cap Loan	374,838		25,537	349,301
USDA Rural Development	418,551		61,675	356,876

City of Lexington, Mississippi
Schedule of Surety Bonds for City Officials
September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Willie Mae Forest	City Clerk	Travelers	\$50,000
Robert Kirklin	Police Chief	Travelers	50,000
Clinton Cobbins	Mayor	Travelers	50,000
David Rule	Board Member	Travelers	50,000
Ella E. Edwards	Board Member	Travelers	50,000
Franky A. McCain	Board Member	Travelers	50,000
Clemetene J. Cooper	Board Member	Travelers	50,000
Joshua R. Davis Jr.	Board Member	Travelers	50,000
Rose Gamble	Court Clerk	Travelers	50,000
Dorothy English	Deputy Clerk	Travelers	50,000
Derrick Hodges	Dispatcher	Travelers	50,000
Joe Wiley	Dispatcher	Travelers	50,000
Laura Hoover	Dispatcher	Travelers	50,000
Deloris Pate	Dispatcher	Travelers	50,000

Internal Control and Compliance

DUNGAN CPA COMPANY

Dungan CPA, Co.
120 S Natchez Street
Kosciusko, MS 39090

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

Honorable Mayor and Board of Alderpersons
City of Lexington
Lexington, Mississippi

I have audited the combined statement of cash receipts and disbursements (all funds) of the City of Lexington, Mississippi for the year ended September 30, 2014, and have issued my report dated November 20, 2014. I have conducted my 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, I 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 my audit, and accordingly, I do not express such an opinion.

The results of those procedures and my audit of the combined statement of cash receipts and disbursements disclosed no findings of material instance of noncompliance with State laws and regulations.



Dungan CPA Co.
November 20, 2014