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**Town 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 copies of the annual audit, one paper copy and one electronic copy, for the City of Lexington, Mississippi, for the fiscal year ended September 30, 2015. A separate management letter was not written to the town in connection with this annual audit.

Sincerely,



Clinton Cobbins

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JAN 28 2016

**City of Lexington, Mississippi
Audited Financial Statements
Year Ended September, 30 2015**

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JAN 28 2016

*Dungan CPA Company
120 South Natchez Street
Kosciusko, Mississippi 39090
Telephone 662-289-9007 Fax 662-289-6644*

City of Lexington
Financial Statements
September 30, 2015

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City of Lexington
Independent Auditor's Report



Dungan CPA, Co.
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Kosciusko, MS 39090

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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, 2015, 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, 2015, 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 December 2, 2015, 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
December 2, 2015

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FINANCIAL STATEMENT

City of Lexington, Mississippi
Combined Statement of Cash Receipts and Disbursements
Governmental and Business-type Activities
For the Year End November 30, 2015

	All Funds
Receipts	
Taxes	
General Property Taxes	394,272.0
Licenses and Permits	
Privilege Licenses	12,911
Franchise Charges	90,234
Intergovernmental Revenues:	
Federal Receipts	327,009
General Municipal Aid	
General Aid to Municipalities	713,713
Other	
State Shared Revenues:	
Sales Tax	449,423
Gasoline Tax	5,121
Homestead Exemption	17,754
State Fire Rebate and Fire Protection	9,419
Other State Shared Revenue	20,746
Charges for Services:	
Water Utility	718,749
Fines and Forfeits	75,851
Miscellaneous Income	315,837
Interest Earned	988
Total Receipts	<u>3,152,027</u>
Disbursements	
General Government	387,282
Public Safety-Police	648,283
Public Safety-Fire	53,010
Public Works-Street	272,435
Culture and Recreation	9,828
Water Utility	381,606
Redemption of Principal	150,978
Total Disbursements	<u>1,903,422</u>
Other Sources (Disbursements)	
Capital Outlay	1,108,990
Total Other	<u>1,108,990</u>
Excess (Deficiency) of Receipts over Disbursements	<u>139,615</u>
Cash Basis Fund Balance - Beginning	<u>609,019</u>
Changes not affecting cash	<u>(2,210)</u>
Cash Basis Fund Balance - Ending	<u>\$ 746,424</u>

The Notes to the Financial Statement are an integral part of this Combined Statement of Cash Receipts and Disbursements

City of Lexington, Mississippi
Notes to the Financial Statement
September 30, 2015

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City of Lexington
Notes to the Financial Statement
September 30, 2015

Note 1 - Summary of significant accounting policies

General Information

The City operates under the Mayor-Board of Alderman form of government and provides services as authorized by law. The City's population in the year 2013 was 1,656. The accounting policies of the City of Lexington conform to the laws of Mississippi for a municipality with a population of less than 3,000. The following is a summary of the more significant policies.

Reporting Entity

The financial statement for the City consists of all the funds of the City. There are neither component units nor related organizations included in the statement as they do not fit the criteria for such inclusion.

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:

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 allowed 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. Cash receipts and disbursements is a basis of accounting other than generally accepted accounting principles.

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. Inter-fund 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 towns 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

The City deposits excess funds in the financial institutions selected by the Mayor and Board of Alderman in accordance with state statutes. Cash consists of interest-bearing demand accounts and certificates of deposit. Cash and other deposits are valued at cost. For purposes, of the combined statement of cash flows, the municipality considers to be cash equivalents all highly liquid investments and certificates of deposit if they have a maturity of one year or less when acquired.

Note 5 – Defined Benefit Pension Plan

Plan Description. The City of Lexington, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

City of Lexington
Notes to the Financial Statement
September 30, 2015

Note 5 – Subsequent Events

Events that occur after the financial statement date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes. Management of the City of Lexington evaluated the activity of the organization through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

**City of Lexington, Mississippi
Schedule of Investments-All Funds
Year Ended September 30, 2015**

Schedule 1

Ownership	Type of Investment	Interest Rate	Acquisition Date	Maturity Date	Investment Value
General Fund	Certificate of Deposit				52,282
General Fund	Certificate of Deposit				58,881
Fiduciary Fund	Certificate of Deposit				73,324
Total Investments					184,487

**City of Lexington, Mississippi
Schedule of Capital Assets – All Funds
Year Ended September 30, 2015**

Schedule 2

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	16,106	89,384		\$ 351,490
Buildings	936,399			936,399
Infrastructure	5,745,851	1,020,507		5,740,358
Total	\$ 5,918,356	1,109,891		\$ 7,028,247

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**City of Lexington, Mississippi
Schedule of Long Term Debt – All Funds
Year Ended September 30, 2015**

Schedule 3

Loan	Balance Outstanding October 1, 2014	Issued	Redeemed	Balance Outstanding September 30, 2015
MDA Cap Loan	\$ 349,302		31,876	\$ 317,426
USDA Rural Development	356,876		71,380	285,496
Total	\$ 706,178		103,256	\$ 602,923

**City of Lexington, Mississippi
Schedule of Surety Bonds for City Officials
Year Ended September 30, 2015**

Schedule 4

Name	Position	Surety	Bond Amount
Willie Mae Forest	City Clerk	Travelers	\$50,000
Robert Kirklin	Police Chief	Travelers	50,000
Clinton Cobbins	Mayor	Travelers	50,000
David Rife	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

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City of Lexington, Mississippi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

Schedule 5

Federal Agency/Pass-Through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identification Number	Federal Expenditures
Federal Aviation Administration Passed-Through Mississippi Department of Transportation	20.103	AIP 3-28-0042-015-2014	\$ 239,153
U.S. Department of Agriculture Passed-Through Mississippi Development Authority	14.288	1131-14-233-PF-01	\$ 37,960
U.S. Department of Agriculture	10.766	10.780	\$ 64,477
Federal Highway Administration Passed-Through Mississippi Department of Transportation	20.205	STP-0026-00(012)LPA	\$ 685,570
Total for all Federal Awards			<u>\$ 1,027,159</u>

Notes to Schedule

This schedule was prepared using the current financial resources basis of accounting which generally recorded expenditures when the liability occurred and is different than the cash basis accounting policies used for the Cash Receipts and Disbursement Schedule.

Reports on Internal Control and Compliance

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JAN 28 2016



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements of the City of Lexington, Mississippi as of and for the year ended September 30, 2015, and have issued my report thereon dated December 2, 2015. My report differed from the standard report because the City of Lexington prepared the statement on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statement, I considered the City of Lexington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 a 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 on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lexington's financial statement is free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Mayor, the Board of Alderpersons, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Dungan CPA Company
December 2, 2015

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JAN 28 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

I have audited City of Lexington's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Lexington's major federal programs for the year ended September 30, 2015. The City of Lexington's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Lexington's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lexington's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Lexington's compliance.

Opinion on Each Major Federal Program

In my opinion, City of Lexington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Lexington's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures for the purpose of expressing and opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Lexington's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Dungan CPA Company
December 2, 2015

**Independent Auditor's Report
On Compliance with State Laws and Regulations**

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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, 2015, and have issued my report dated December 2, 2015. 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 Company
December 2, 2015

Management Report



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MANAGEMENT LETTER

Honorable Mayor Clinton Cobbins
City of Lexington
Lexington, Mississippi

In planning and performing my audit of the financial statement of the City of Lexington for the year ended September 30, 2015 (on which I have issued my report dated December 2, 2015), 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, I considered the City's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting.

I have also issued a separate report, dated December 2, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters which is included in this document.

This report is intended solely for the information and use of the management of City of Lexington, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We wish to thank the staff and management of the City of Lexington for their cooperation and assistance during the course of the engagement.

Very truly yours,

Dungan CPA Company
December 2, 2015

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Schedule of Findings and Questioned Costs

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**City of Lexington, Mississippi
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015**

Summary of Auditor's Results

Financial Statements:

- 1) Type of Auditors' report issued: Qualified
- 2) Internal control over financial reporting:
 - a) Material weakness(es) identified? No
 - b) Significant deficiency(ies) identified? None reported
- 3) Noncompliance material to financial statements noted? Nothing to report

Federal Awards:

- 4) Internal control over major program:
 - a) Material weakness(es) identified? No
 - b) Significant deficiency(ies) identified? None Reported
- 5) Type of auditor's report issued on compliance for major program: Unqualified
- 6) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) OMB Circular A-133? No.
- 7) Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
20.205	Mississippi Department of Transportation

- 8) Dollar threshold used to distinguish between type A and type B programs: \$300,000
- 9) Auditee qualified as a low-risk auditee? Yes.

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