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May 27, 2020

**Mississippi Office of the State Auditor
501 North West Street, Suite 801
Jackson, MS 39201**

Re: Audit Report for 2019

To Whom This Concerns:

Please find enclosed the 2019 Audit Report for The City of Lexington.

Should you have further questions or concerns, please feel free to give us a call.

Thank You.

Sincerely,

**Willie Mae Forrest, City Clerk
City of Lexington**

Enclosure:

CITY OF LEXINGTON, MISSISSIPPI

**Audited Financial Statements
September 30, 2019**

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P.O. Box 41
Madison, MS 39130
p. 662-582-1825

Independent Auditor's Report

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

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Mississippi, as of and for the year ended September 30, 2019 and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

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 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 on the effectiveness of the entity's internal control. Accordingly, we express no such 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lexington, Mississippi, as of September 30, 2019 and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to note 1 of the financial statement, which describes that the City of Lexington, Mississippi prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Lexington, Mississippi's basic financial statements. The Budgetary Comparison Schedule, Schedule of Investments, Schedule of Fixed Assets, Schedule of Long-Term Debt, and Schedule of Surety Bonds for Municipal Officials, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule, the Schedule of Investments, Schedule of Fixed Assets, Schedule of Long-Term Debt, and Schedule of Surety Bonds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison schedule, schedule of investments, schedule of fixed assets, schedule of long-term debt, and schedule of surety bonds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2020 on our consideration of the City of Lexington, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lexington, Mississippi's internal control over financial reporting and compliance.

JD CPA, PLLC

Madison, Mississippi
April 28, 2020

BASIC FINANCIAL STATEMENTS

CITY OF LEXINGTON, MISSISSIPPI
Statement of Activities – Cash Basis
As of and For the Year Ended September 30, 2019

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 518,601	213,000	44,220	105,109	(156,272)	-	\$ (156,272)
Public safety	641,894	-	10,217	-	(631,677)	-	(631,677)
Public works	371,379	-	-	-	(371,379)	-	(371,379)
Debt service - principal	188,401	-	-	-	(188,401)	(70,988)	(259,389)
Debt service - interest	13,778	-	-	-	(13,778)	(4,068)	(17,846)
Total Governmental Activities	1,734,053	213,000	54,437	105,109	(1,361,507)	(75,056)	(1,436,563)
Business-Type Activities:							
Water and sewer	420,453	724,482	-	-	-	304,029	304,029
Total Primary Government	2,154,506	937,482	54,437	105,109	(1,361,507)	228,973	(1,132,534)
General Receipts:							
Taxes:							
Property taxes					404,176	-	404,176
Sales and use taxes					377,632	-	377,632
Franchise taxes					60,862	-	60,862
Other taxes/special assessments					57,712	-	57,712
Court fines and fees					32,671	-	32,671
Unrestricted investment income					230	-	230
Miscellaneous					308,865	-	308,865
Transfers					685,000	(685,000)	-
Total General Receipts					1,927,148	(685,000)	1,242,148
Changes in Net Assets					565,641	(456,027)	109,614
Net Position - Beginning					(91,092)	621,448	530,356
Net Position - Ending					\$ 474,549	165,421	\$ 639,970

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

CITY OF LEXINGTON, MISSISSIPPI
Statement of Net Position – Cash Basis
As of and For the Year Ended September 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 361,272	148,361	\$ 509,633
Restricted Cash	-	17,060	17,060
Investments	<u>113,277</u>	<u>-</u>	<u>113,277</u>
Total assets	<u><u>474,549</u></u>	<u><u>165,421</u></u>	<u><u>639,970</u></u>
Net Position:			
Restricted:			
Restricted for meter deposits	-	17,060	17,060
Unrestricted	<u>474,549</u>	<u>148,361</u>	<u>622,910</u>
Total net position	<u><u>\$ 474,549</u></u>	<u><u>165,421</u></u>	<u><u>\$ 639,970</u></u>

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

CITY OF LEXINGTON, MISSISSIPPI
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
As of and For the Year Ended September 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
	General Fund	Water Fund
RECEIPTS		
Property taxes	\$ 404,176	\$ -
Rental income	257,220	-
Licenses and permits	37,478	-
Intergovernmental revenues		
Other Aid	128,694	-
State shared revenues:		
Sales taxes	377,632	-
Nuclear Plant Payments	18,434	-
Fire protection	10,217	-
Charges for Governmental Services:		
Water and sewer		724,482
Fines and forfeitures	32,671	-
Miscellaneous receipts	348,172	-
Total Receipts	<u>1,614,694</u>	<u>724,482</u>
DISBURSEMENTS		
General government	518,601	-
Public safety	641,894	-
Public works	371,379	-
Water and sewer	-	420,453
Redemption of principal	188,401	70,988
Interest on debt service	13,778	4,068
Total Disbursements	<u>1,734,053</u>	<u>495,509</u>
Excess of receipts over (under) disbursements	(119,359)	228,973
OTHER CASH SOURCES (USES)		
Interfund loans and transfers	685,000	(685,000)
Total Other Cash Sources (Uses)	<u>685,000</u>	<u>(685,000)</u>
Net changes in fund balances	565,641	(456,027)
CASH BASIS FUND BALANCE - Beginning of Year	<u>(91,092)</u>	<u>621,448</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 474,549</u>	<u>\$ 165,421</u>

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

CITY OF LEXINGTON, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances
As of and For the Year Ended September 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
	General Fund	Water Fund
CASH BASIS ASSETS		
Cash and cash equivalents	\$ 361,272	\$ 148,361
Restricted Cash	-	17,060
Investments	<u>113,277</u>	<u>-</u>
Total cash basis assets	<u><u>474,549</u></u>	<u><u>165,421</u></u>
CASH BASIS FUND BALANCES		
Restricted:		
Restricted for meter deposits	-	17,060
Unassigned	<u>474,549</u>	<u>148,361</u>
Total cash basis fund balances	<u><u>\$ 474,549</u></u>	<u><u>\$ 165,421</u></u>

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

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 1: Summary of Significant Accounting Policies

The City of Lexington (City) operates under the Mayor-Board of Aldermen form of government and provides services as authorized by law. The City's population in the year 2019 was 1,731. The accounting policies of the City 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.

a) Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

- Statement of activities and net position – cash basis
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City combines the statement of activities and statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct disbursements are those that are clearly identifiable within a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are reported when cash is spent.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities of providing water and sewer services to citizens of the City.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general receipts* rather than as program receipts.

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

c) Assets and Net Position or Fund Balance

1) Cash and Investments – The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit with less than a three-month maturity when acquired. The government's investments are considered to be certificates of deposit with original maturities of more than three months from the date of acquisition.

2) Net Position - The City's government-wide and proprietary net position is divided into the following components:

Restricted net position – consist of net position that is restricted by the City's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

Unrestricted net position – all other net position is reported in this category.

3) Fund Balances – In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 1: Summary of Significant Accounting Policies (Continued)

c) Assets and Net Position or Fund Balance (Continued)

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision-making authority of the City.

Unassigned – Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

d) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary Funds.
2. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then the budget is approved prior to September 30.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for both the General and Proprietary Fund.
6. Appropriations lapse at the end of each fiscal year.

e) Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

Note 2: Property Taxes

The City uses the county tax rolls for the assessment of its ad valorem tax. Property is assessed in January of each year and the tax levy is set in September of each year. Property taxes attach as an enforceable lien on property as of January of the next year and are delinquent after February 1.

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 3: Cash, Cash Equivalents, and Investments

At the end of the year, the City's carrying amount of deposits was \$639,970 and the bank balance was \$721,306. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is a risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2019, none of the City's bank balance of \$721,306 was exposed to custodial risk.

Investments balances at September 30, 2019 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	60,166	N/A
Certificate of Deposit	53,111	N/A
Total	<u>113,277</u>	

Interest Rate Risk. The city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those authorized by Sections 21-33-323, Miss. Code Ann. (1972). The city does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. The city had no investments, other than certificates of deposit, as of September 30, 2019.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2019, the city had no investments other than certificates of deposit.

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 4: Interfund Transfers

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Transfers In	\$ 685,000	\$ -
Transfers Out	-	(685,000)
	<u>\$ 685,000</u>	<u>\$ (685,000)</u>

The above interfund transfers resulted from the payment of a general fund note by the water fund.

Note 5: Capital Assets

General Fund:

Capital asset additions, retirements, and balances for the General Fund, for the year ended September 30, 2019 were as follows:

	<u>Balance 09/30/2018</u>	<u>Additions & Reclassifications</u>	<u>Retirements & Reclassifications</u>	<u>Balance 09/30/2019</u>
Land and Buildings	\$ 3,291,198	125,482	-	\$ 3,416,680
Equipment	699,254	-	-	699,254
	<u>\$ 3,990,452</u>	<u>125,482</u>	<u>-</u>	<u>\$ 4,115,934</u>

Proprietary Fund:

Capital asset additions, retirements, and balances for the Proprietary Fund, for the year ended September 30, 2019 were as follows:

	<u>Balance 09/30/2018</u>	<u>Additions & Reclassifications</u>	<u>Retirements & Reclassifications</u>	<u>Balance 09/30/2019</u>
Infrastructure	\$ 4,224,483	-	-	\$ 4,224,483
	<u>\$ 4,224,483</u>	<u>-</u>	<u>-</u>	<u>\$ 4,224,483</u>

Note 6: Bonds Payable

Water Fund:

The following is a summary of bond payable transactions of the Water Fund for the year ended September 30, 2019:

	<u>Balance 09/30/2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 09/30/2019</u>
USDA Revenue Bond #9320	\$ 70,988	-	(70,988)	\$ -
	<u>\$ 70,988</u>	<u>-</u>	<u>(70,988)</u>	<u>\$ -</u>

The repayment terms are as follows:

	<u>Interest Rate</u>	<u>Payment</u>	<u>Final Maturity</u>
USDA Revenue Bond #9320	4.75%	Monthly	Matured

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 7: Notes Payable

General Fund:

The following is a summary of notes payable transactions of the Proprietary Fund for the year ended September 30, 2019:

	Balance 09/30/18	Issued	Retired	Balance 9/30/2019
CAP Loan - 50488	\$ 205,271	-	(27,420)	\$ 177,851
Bank Plus - 150014425700	111,909	-	(111,909)	-
Bank Plus - 150014332300	76,473	-	(25,466)	51,007
Bank Plus - 150017279100	22,670	-	(6,000)	16,670
Holmes County Bank - 403498200	31,340	-	(11,307)	20,033
Hancock Bank - 076125	12,740	-	(6,299)	6,441
	<u>\$ 460,403</u>	<u>-</u>	<u>(188,401)</u>	<u>\$ 272,002</u>

The repayment terms are as follows:

	Interest Rate	Payment	Final Maturity
CAP Loan - 50488	3.00%	Monthly	2023
Bank Plus - 150014425700	3.25%	Annual	Matured
Bank Plus - 150014332300	2.75%	Annual	2021
Bank Plus - 150017279100	4.00%	Monthly	2022
Holmes County Bank - 403498200	4.75%	Monthly	2021
Hancock Bank - 076125	2.27%	Annual	2020

Future maturities are as follows:

<u>Year Ended September 30.</u>	<u>Principal</u>
2020	\$ 81,742
2021	71,292
2022	36,749
2023	33,836
2024	34,865
Thereafter	13,518
Total	<u>\$ 272,002</u>

CITY OF LEXINGTON, MISSISSIPPI
Notes to Financial Statements
For Year Ended September, 30 2019

Note 8: Economic Dependency

The City is a rural community located in North Mississippi. The city is very dependent on ad valorem taxes and user fees from its residents to remain fiscally viable.

Note 9: 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 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201, or by calling (601) 349-3589 or 1-800-PERS.

Funding Policy – PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2019 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Lexington, Mississippi's contributions to PERS for the fiscal years ended September 30, 2019, 2018, and 2017 were \$102,241, \$92,049, and \$90,890, respectively, which equaled the required contribution.

Pension Liability – At September 30, 2019, the City had a liability of \$1,674,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of its long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.009520 percent.

Note 10: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases coverage of risks of loss related to theft of, damage to and destruction of assets from commercial insurance carriers.

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims but for which none have been reported are considered. For insured programs, there have been no significant reductions in insurance coverage.

Note 11: Subsequent Events

Events that occur after the Statement of Activities and Net Position 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 Statement of Activities and Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Activities and Net Position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through April 28, 2020, the date the financial statements were approved by the City's management and thereby available to be released, and were aware of no subsequent events have occurred requiring disclosure in the notes to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON, MISSISSIPPI
Budgetary Comparison Schedule –General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Property taxes	\$ 350,000	405,937	404,176	\$ (1,761)
Rental income	200,000	250,000	257,220	7,220
Licenses and permits	5,000	12,556	37,478	24,922
Intergovernmental revenues	500,000	540,260	534,977	(5,283)
Fines and forfeitures	20,000	28,843	32,671	3,828
Miscellaneous revenues	335,000	435,626	348,172	(87,454)
Total Receipts	<u>1,410,000</u>	<u>1,673,222</u>	<u>1,614,694</u>	<u>(58,528)</u>
DISBURSEMENTS				
General government	400,000	410,159	518,601	(108,442)
Public safety	550,000	649,064	641,894	7,170
Public works	300,000	367,862	371,379	(3,517)
Redemption of Principal	150,000	186,027	188,401	(2,374)
Interest on Debt Service	10,000	13,000	13,778	(778)
Total Disbursements	<u>1,410,000</u>	<u>1,626,112</u>	<u>1,734,053</u>	<u>(104,789)</u>
Excess of receipts over (under) disbursements	-	47,110	(119,359)	(163,317)
OTHER CASH SOURCES (USES)				
Interfund loans and transfers	-	-	685,000	685,000
Total other cash sources (uses)	<u>-</u>	<u>-</u>	<u>685,000</u>	<u>685,000</u>
Net changes in fund balances	-	47,110	565,641	521,683
CASH BASIS FUND BALANCE -				
Beginning of Year	<u>(91,092)</u>	<u>(91,092)</u>	<u>(91,092)</u>	<u>-</u>
CASH BASIS FUND BALANCE -				
End of Year	<u>\$ (91,092)</u>	<u>(43,982)</u>	<u>474,549</u>	<u>\$ 518,531</u>

See accompanying notes to required supplementary information.

CITY OF LEXINGTON, MISSISSIPPI
Notes to Required Supplementary Information

Note 1: Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Alderpersons of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. During the fiscal year when it appears to the Board of Aldermen that budgetary estimates will not be met, the Board may make revisions to the budget.

The City's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

Note 2: Basis of Presentation

The Budgetary Comparison Schedule – Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule – Budget and Actual is a part of required supplementary information.

Note 3: Budget Reconciliation

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Investments – All Funds
September 30, 2019

	<u>Deposit Amount</u>
Certificate of Deposit with Bank Plus, rate .01%	\$ 60,166
Certificate of Deposit with Bank Plus, rate .01%	<u>53,111</u>
Total	\$ <u>113,277</u>
Fund Recap:	
General Fund	\$ 113,277
Water and Sewer Fund	<u>-</u>
Total	\$ <u>113,277</u>

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Fixed Assets
September 30, 2019

General Fund:

	Balance 09/30/2018	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2019
Land and Buildings	\$ 3,291,198	125,482	-	\$ 3,416,680
Equipment	699,254	-	-	699,254
	<u>\$ 3,990,452</u>	<u>125,482</u>	<u>-</u>	<u>\$ 4,115,934</u>

Proprietary Fund:

	Balance 09/30/2018	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2019
Infrastructure	\$ 4,224,483	-	-	\$ 4,224,483
	<u>\$ 4,224,483</u>	<u>-</u>	<u>-</u>	<u>\$ 4,224,483</u>

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2019

	Balance 09/30/2018	Additions	Retirements	Balance 09/30/2019
Bonds Payable:				
USDA Revenue Bond #9320	\$ 70,988	-	(70,988)	\$ -
Total Bonds Payable	<u>\$ 70,988</u>	<u>-</u>	<u>(70,988)</u>	<u>\$ -</u>

	Balance 09/30/2018	Additions	Retirements	Balance 09/30/2019
Notes Payable:				
CAP Loan 102-CP-01 50488	\$ 205,271	-	(27,420)	\$ 177,851
Bank Plus - 150014425700	111,909	-	(111,909)	-
Bank Plus - 150014332300	76,473	-	(25,466)	51,007
Bank Plus - 150017279100	22,670	-	(6,000)	16,670
Holmes County Bank - 403498200	31,340	-	(11,307)	20,033
Hancock Bank - 076125	12,740	-	(6,299)	6,441
Total Notes Payable	<u>\$ 460,403</u>	<u>-</u>	<u>(188,401)</u>	<u>\$ 272,002</u>

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Willie Mae Forrest	City Clerk	Travelers	\$ 50,000
Brenda Powell	Deputy Clerk	Travelers	50,000
Robert Kirklin	Police Chief	Travelers	50,000
Robin McCrory	Mayor	Travelers	50,000
David Rule	Board Member	Travelers	50,000
Ella Edwards-Benson	Board Member	Travelers	50,000
Richard Spencer	Board Member	Travelers	50,000
Clemetene Cooper-Jackson	Board Member	Travelers	50,000
Joshua Davis, Jr	Board Member	Travelers	50,000
Rose Mary Gamble	Court Clerk	Travelers	50,000
Derrick Hodges	Dispatcher	Travelers	50,000
Theodore Haynes	Dispatcher	Travelers	50,000
Elijah Brooks	Dispatcher	Travelers	50,000
Deloris Pate	Dispatcher	Travelers	50,000

SPECIAL REPORTS



P.O. Box 41
Madison, MS 39130
p. 662-582-1825

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America as described in Note 1 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lexington, Mississippi as of and for the year ended September 30, 2019 and the related notes to financial statements, which collectively comprise the City of Lexington, Mississippi's basic financial statements and have issued our report thereon dated April 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lexington, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Mississippi's internal control.

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 and corrected 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lexington, 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 that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JD CPA. PLLC

Madison, Mississippi
April 28, 2020



P.O. Box 41
Madison, MS 39130
p. 662-582-1825

**Independent Auditors' Report on Compliance
With State Laws and Regulations**

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

We have audited the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the City of Lexington, Mississippi's basic financial statements and have issued our report thereon dated April 28, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as described in Note 1.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City of Lexington, Mississippi'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.

JD CPA. PLLC

Madison, Mississippi
April 28, 2020

CITY OF LEXINGTON, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019

Section 1: Summary of Auditors' Results

Financial Statements

- | | | |
|----|-------------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditors' report issued on the primary government financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the financial statements? | No |