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CITY OF LEXINGTON, MISSISSIPPI

Audited Financial Statements  
September 30, 2020

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## **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, 2020 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, 2020 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 December 2, 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  
December 2, 2020

## BASIC FINANCIAL STATEMENTS

CITY OF LEXINGTON, MISSISSIPPI  
Combined Statement of Cash Receipts and Disbursements  
As of and For the Year Ended September 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
	General Fund	Water Fund
<b>RECEIPTS</b>		
Property taxes	\$ 422,115	\$ -
Rental Income	202,567	-
Licenses and permits	15,276	-
Federal grants	237,744	
Intergovernmental revenues		
Other Aid	1,100,170	-
State shared revenues:		
Sales taxes	409,068	-
Nuclear Plant Payments	18,742	-
Fire protection	10,443	-
Charges for Governmental Services:		
Water and sewer		716,253
Fines and forfeitures	34,408	-
Miscellaneous receipts	142,493	-
Total Receipts	<u>2,593,026</u>	<u>716,253</u>
<b>DISBURSEMENTS</b>		
General government	1,825,297	-
Public safety	662,925	-
Public works	359,366	-
Water and sewer		410,148
Redemption of principal	81,005	-
Interest on debt service	9,359	-
Total Disbursements	<u>2,937,952</u>	<u>410,148</u>
Excess of receipts over (under) disbursements	( 344,926)	306,105
<b>OTHER CASH SOURCES (USES)</b>		
Interfund loans and transfers	756,000	( 756,000)
Total Other Cash Sources (Uses)	<u>756,000</u>	<u>( 756,000)</u>
Net changes in fund balances	411,074	( 449,895)
<b>CASH BASIS FUND BALANCE -     Beginning of Year</b>	<u>65,022</u>	<u>577,925</u>
<b>CASH BASIS FUND BALANCE -     End of Year</b>	<u>\$ 476,096</u>	<u>\$ 128,030</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 2020

**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 2020 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) 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.

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.

**b) 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.

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

- 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.

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.

CITY OF LEXINGTON, MISSISSIPPI  
Notes to Financial Statements  
For Year Ended September, 30 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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.

**Note 3: Cash, Cash Equivalents, and Investments**

At the end of the year, the City's carrying amount of deposits was \$604,124 and the bank balance was \$701,609. 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, 2020, none of the City's bank balance of \$701,609 was exposed to custodial risk.

Investments balances at September 30, 2020 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	59,113	N/A
Certificate of Deposit	52,594	N/A
Total	<u>111,707</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, 2020.

CITY OF LEXINGTON, MISSISSIPPI  
Notes to Financial Statements  
For Year Ended September, 30 2020

**Note 3: Cash, Cash Equivalents, and Investments (Continued)**

*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, 2020, the city had no investments other than certificates of deposit.

**Note 4: Interfund Transfers**

Interfund transfers during the year were as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>
Transfers In	\$ 756,000	\$ -
Transfers Out	-	( 756,000)
	<u>\$ 756,000</u>	<u>\$ ( 756,000)</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, 2020 were as follows:

	<u>Balance 09/30/2019</u>	<u>Additions &amp; Reclassifications</u>	<u>Retirements &amp; Reclassifications</u>	<u>Balance 09/30/2020</u>
Land and Buildings	\$ 3,291,198	1,079,618	-	\$ 4,370,816
Equipment	699,254	100,533	-	799,787
	<u>\$ 3,990,452</u>	<u>1,180,151</u>	<u>-</u>	<u>\$ 5,170,603</u>

**Proprietary Fund:**

Capital asset additions, retirements, and balances for the Proprietary Fund, for the year ended September 30, 2020 were as follows:

	<u>Balance 09/30/2019</u>	<u>Additions &amp; Reclassifications</u>	<u>Retirements &amp; Reclassifications</u>	<u>Balance 09/30/2020</u>
Infrastructure	\$ 4,224,483	242,860	-	\$ 4,467,343
	<u>\$ 4,224,483</u>	<u>242,860</u>	<u>-</u>	<u>\$ 4,467,343</u>

CITY OF LEXINGTON, MISSISSIPPI  
Notes to Financial Statements  
For Year Ended September, 30 2020

**Note 6: Notes Payable**

**General Fund:**

The following is a summary of notes payable transactions of the Proprietary Fund for the year ended September 30, 2020:

	Balance 09/30/19	Issued	Retired	Balance 9/30/2020
CAP Loan - 50488	\$ 203,302	-	(30,927)	\$ 172,375
Bank Plus - 150014332300	51,632	-	(25,466)	26,166
Bank Plus - 150017279100	16,164	-	(6,272)	9,892
Holmes County Bank - 403498200	19,105	-	(11,899)	7,206
Hancock Bank - 076125	6,441	-	(6,441)	-
	<u>\$ 296,644</u>	<u>-</u>	<u>(81,005)</u>	<u>\$ 215,639</u>

The repayment terms are as follows:

	Interest Rate	Payment	Final Maturity
CAP Loan - 50488	3.00%	Monthly	2023
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	Matured

Future maturities are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>
2021	\$ 71,214
2022	36,752
2023	33,836
2024	34,865
2025	35,926
Thereafter	3,046
Total	<u>\$ 215,639</u>

**Note 7: 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.

CITY OF LEXINGTON, MISSISSIPPI  
Notes to Financial Statements  
For Year Ended September, 30 2020

**Note 8: 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, 2020 was 17.40% 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, 2020, 2019, and 2018 were \$98,097, \$102,241, and \$92,049, respectively, which equaled the required contribution.

**Pension Liability** – At September 30, 2020, 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, 2020, 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, 2020, the City's proportion was 0.009520 percent.

**Note 9: 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 10: 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 December 2, 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.

## SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON, MISSISSIPPI  
Schedule of Investments – All Funds  
September 30, 2020

	Deposit Amount
Certificate of Deposit with Bank Plus, rate .01%	\$ 59,113
Certificate of Deposit with Bank Plus, rate .01%	<u>52,594</u>
Total	\$ <u>111,707</u>
Fund Recap:	
General Fund	\$ 111,707
Water and Sewer Fund	<u>-</u>
Total	\$ <u>111,707</u>



CITY OF LEXINGTON, MISSISSIPPI  
Schedule of Fixed Assets  
September 30, 2020

**General Fund:**

	Balance 09/30/2019	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2020
Land and Buildings	\$ 3,291,198	1,079,618	-	\$ 4,370,816
Equipment	699,254	100,533	-	799,787
	<u>\$ 3,990,452</u>	<u>1,180,151</u>	<u>-</u>	<u>\$ 5,170,603</u>

**Proprietary Fund:**

	Balance 09/30/2019	Additions & Reclassifications	Retirements & Reclassifications	Balance 09/30/2020
Infrastructure	\$ 4,224,483	242,860	-	\$ 4,467,343
	<u>\$ 4,224,483</u>	<u>242,860</u>	<u>-</u>	<u>\$ 4,467,343</u>

CITY OF LEXINGTON, MISSISSIPPI  
Schedule of Long-Term Debt  
September 30, 2020

	Balance 09/30/2019	Additions	Retirements	Balance 09/30/2020
Notes Payable:				
CAP Loan 102-CP-01 50488	\$ 203,302	-	(30,927)	\$ 172,375
Bank Plus - 150014332300	51,632	-	(25,466)	26,166
Bank Plus - 150017279100	16,164	-	(6,272)	9,892
Holmes County Bank - 403498200	19,105	-	(11,899)	7,206
Hancock Bank - 076125	6,441	-	(6,441)	-
Total Notes Payable	<u>\$ 296,644</u>	<u>-</u>	<u>(81,005)</u>	<u>\$ 215,639</u>

CITY OF LEXINGTON, MISSISSIPPI  
Schedule of Surety Bonds for Municipal Officials  
September 30, 2020

<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
John Newton	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
Meaghan Greer	Court Clerk	Travelers	50,000
Derrick Hodges	Dispatcher	Travelers	50,000
Allen Miller	Dispatcher	Travelers	50,000
Javaris Thompson	Dispatcher	Travelers	50,000
Melissa Smith	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, 2020 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 December 2, 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  
December 2, 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, 2020, which collectively comprise the City of Lexington, Mississippi's basic financial statements and have issued our report thereon dated December 2, 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  
December 2, 2020

CITY OF LEXINGTON, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2020

**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            |