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CITY OF LEXINGTON, MISSISSIPPI

**Compiled Financial Statement and
Special Report on Agreed-Upon Procedures
for Small Municipalities**

For the Year Ended September 30, 2006

RECEIVED
MAR 20 2008
STATE AUDITOR'S OFFICE

MULLEN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
105 WALL STREET
LEXINGTON, MS 39095

CITY OF LEXINGTON, MISSISSIPPI
TABLE OF CONTENTS
September 30, 2006

	<u>Page</u>
TABLE OF CONTENTS	1
ACCOUNTANTS' COMPILATION REPORT	2
FINANCIAL SECTION	3
Statement of Cash Receipts and Disbursements - All Fund Types	4 - 5
Notes to Financial Statement	6
SUPPLEMENTAL INFORMATION	7
Statement of Long Term Debt	8
Schedule of Bonds on Municipal Officials	9
Special Report on Agreed-Upon Procedures for Small Municipalities	10 - 13



Certified Public Accountants

105 Wall Street
Lexington, MS 39095
(662) 834-2556

Accountants' Compilation Report

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

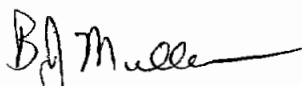
We have compiled the accompanying Statement of Cash Receipts and Disbursements—All Fund Types of the City of Lexington for the year ended September 30, 2006 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statement information that is the representation of management. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or any other form of assurance on it.

The accompanying financial statement has been prepared on a cash receipts and disbursements basis of accounting, which differs from generally accepted accounting principles. Management has elected to omit substantially all of the disclosures ordinarily included in a financial statement prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statement, they might influence the user's conclusions about the City's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

The supplemental information on pages 7 through 9 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of management of the City of Lexington, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

The Special Report of Agreed-Upon Procedures for Small Municipalities on pages 10 through 13 is required by the Mississippi Department of Audit. The Department of Audit prescribes the procedures to be performed. The procedures do not constitute a review or audit, and accordingly we do not express an opinion on any of the special accounts or classes of transactions. This report should not be associated with the financial statements of the City of Lexington for the year ended September 30, 2006.


Mullen & Company
Lexington, MS

March 6, 2008

CITY OF LEXINGTON, MISSISSIPPI

SEPTEMBER 30, 2006

FINANCIAL STATEMENT

CITY OF LEXINGTON, MISSISSIPPI
Statement of Cash Receipts and Disbursements - All Fund Types
Year Ended September 30, 2006

	General	Capital Projects	Special Revenue	Debt Service	Proprietary Fund	Fiduciary Fund	Totals
Revenue Receipts							
General Property Taxes	\$ 256,749			\$ 68,263			\$ 325,012
License and Permits	100,822						100,822
Intergovernmental Revenues:							-
State Shared Revenues:							-
Sales Tax	460,987						460,987
Gasoline Tax	5,568						5,568
Liquor Privilege Tax	2,475						2,475
Grand Gulf Tax District	18,723						18,723
Municipal Aid	1,055						1,055
Fire Protection Allocation	10,298						10,298
Department of Public Safety	9,683						9,683
MEMA	74,949						74,949
County Fire Rebate	4,000						4,000
Federal Aviation			23,427				23,427
Charges for Services					631,907		631,907
Rental Income	64,409						64,409
Lexington Homes			30,503				30,503
Fines and Forfeits	93,859						93,859
Interest Income	3,806	106		85	916	1,098	6,011
Total Revenue Receipts	1,107,383	106	53,930	68,348	632,823	1,098	1,863,688
Total Other Receipts							
Loans and Transfers	150,000		550,000				700,000
Total Receipts	1,257,383	106	603,930	68,348	632,823	1,098	2,563,688
Cash Balance - Beginning of Year	356,943	42,432	9,098	32,989	453,628	112,735	1,007,825
TOTAL TO ACCOUNT FOR	\$ 1,614,326	\$ 42,538	\$ 613,028	\$ 101,337	\$ 1,086,451	\$ 113,833	\$ 3,571,513

CITY OF LEXINGTON, MISSISSIPPI
Statement of Cash Receipts and Disbursements - All Fund Types
Year Ended September 30, 2006

	General	Capital Projects	Special Revenue	Debt Service	Proprietary Fund	Fiduciary Fund	Totals
Operating Disbursements							
General Government	\$ 338,320						\$ 338,320
Public Safety-Police	374,330						374,330
Public Safety-Fire	224,633						224,633
Public Works	325,369		5,995		417,130		748,494
Community Development			550,000				550,000
Culture and Recreation	49,091						49,091
Utility Services							-
Total Operating Disbursements	1,311,743		555,995	-	417,130	-	2,284,868
Other Disbursements							
Loans and Transfers	12,916		30,503	69,860	230,292	1,208	344,779
Capital Outlay							-
Total Other Disbursements	12,916		30,503	69,860	230,292	1,208	344,779
Total Disbursements	1,324,659		586,498	69,860	647,422	1,208	2,629,647
Cash Balance --End of Year	289,667	42,538	26,530	31,477	439,029	112,625	941,866
TOTAL ACCOUNTED FOR	\$ 1,614,326	\$ 42,538	\$ 613,028	\$ 101,337	\$ 1,086,451	\$ 113,833	\$ 3,571,513

CITY OF LEXINGTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2006

Note A: 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.

Reporting Entity

The financial statement of the city consists of all the funds of the city.

Fund Accounting

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

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

Note B: 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.

SEE ACCOUNTANTS' COMPILATION REPORT

CITY OF LEXINGTON, MISSISSIPPI

SEPTEMBER 30, 2006

SUPPLEMENTAL INFORMATION

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Long Term Debt
Year Ended September 30, 2006

	Balance 10/1/2005	Issued	Redeemed	Balance 9/30/2006
General Obligation Bonds				
1993-A Street Overlay and City Barn Construction	\$ 120,000		\$ 40,000	\$ 80,000
1993-B Water Line Relocation	70,000		20,000	50,000
Total General Obligation Bonds	\$ 190,000	\$ -	\$ 60,000	\$ 130,000
Revenue Bonds				
1999 Water and Sewer System Improvement	819,079		42,299	776,780
Notes Payable				
MDA-CAP Loan	-	550,000	16,151	533,849
Obligations Under Capital Lease	20,065		12,320	7,745
Liability for Compensated Absences	47,479		21,745	25,734
Totals	<u>\$ 1,076,623</u>	<u>\$ 550,000</u>	<u>\$ 152,515</u>	<u>\$ 1,474,108</u>

Summary:

Water and Sewer fund debt	\$ 776,780
General long-term debt	<u>697,328</u>
	<u>\$ 1,474,108</u>

CITY OF LEXINGTON, MISSISSIPPI
Schedule of Surety Bonds on Municipal Officials
September 30, 2006

Name	Position	Company	Bond
Robin M. McCrory	Mayor	Brierfield	\$ 50,000
Ann Polk	City Clerk	Brierfield	\$ 50,000
Dorothy English	Deputy Clerk	Fidelity & Deposit Company of Maryland	\$ 10,000
David Rule	Board Member	Brierfield	\$ 25,000
Robert Brown	Board Member	Brierfield	\$ 25,000
Clinton Cobbins	Board Member	Brierfield	\$ 25,000
Ella Edwards	Board Member	Brierfield	\$ 25,000
Franky McCain	Board Member	Brierfield	\$ 25,000
Government Crime Coverage	All Employees	AAIC	\$ 100,000

CITY OF LEXINGTON, MISSISSIPPI

SPECIAL REPORT ON AGREED-UPON PROCEDURES

FOR SMALL MUNICIPALITIES

SEPTEMBER 30, 2006



Certified Public Accountants

105 Wall Street
 Lexington, MS 39095
 (662) 834-2556

**SPECIAL REPORT ON AGREED-UPON PROCEDURES
 FOR SMALL MUNICIPALITIES**

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

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the City of Lexington, Mississippi, as of September 30, 2006, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood that the report is solely for the use of the governing body of the City of Lexington, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with BankPlus and Holmes County Bank to balances in the respective general ledger accounts and obtained confirmation of the related balances from the bank:

Account Title	Fund	General Ledger Balance
General Fund	General Fund	\$ 38,365
Tax Account	General Fund	31,841
Fire Rebate	General Fund	24,656
Litter Account	General Fund	40
Police Fines	General Fund	66,481
Bond & Interest	Debt Service	31,477
Utility Fund	Utility Fund	439,029
Cemetery Account	Fiduciary Fund	112,625
FEMA Account	Special Revenue	9,012
Airport Grant	Special Revenue	17,518
Construction Account	Capital Project	42,538

2. We confirmed directly all investments owned by the City of Lexington. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972).

Investment	Fund	Amount
CD	General Fund	\$ 29,617
CD	General Fund	52,249
CD	General Fund	46,393

Special Report on Agreed-Upon Procedures for Small Municipalities -Continued

3. We performed the following procedures with respect to ad valorem taxes on real and personal property levied during the fiscal year:
 - a. Verified use of certified county assessment rolls and traced levies to governing body minutes.
 - b. Examined uncollected taxes for proper handling, including tax sales.
 - c. Traced distribution of taxes collected to proper funds.
 - d. Analyzed increase in taxes for most recent period for compliance with increase limitations of Sections 27-39-320 through 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

4. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the city. Payments indicated were traced to deposits in banks and recordings in the general ledger without exception. Payments traced were as follows:

Purpose	Receiving Fund	Amount
Sales Tax Allocation	General Fund	460,987
Homestead Exemption Reimb.	General Fund	28,847
Gasoline Tax	General Fund	5,568
MS Department of Public Safety	General Fund	9,683
Liquor Privilege License	General Fund	2,475
General Municipal Aid	General Fund	1,055
MEMA	General Fund	74,949
Fire Protection Allocation	Special Revenue	10,298
Nuclear Plant-In Lieu	General Fund	18,723

5. We selected a sample of purchases made by the city during the year. Each sample item was evaluated for compliance with public purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

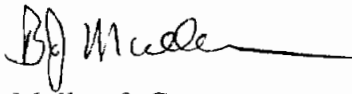
Number of Sample Items	50
Dollar Value of Sample	\$ 453,050

We determined that the City's purchasing procedures were in agreement with the requirements of the above-mentioned sections.

Special Report on Agreed-Upon Procedures for Small Municipalities -- Continued

6. We read the Municipal Compliance Questionnaire completed by the City. The completed survey indicated no instances of noncompliance with state requirements.

The above procedures do not constitute an audit in accordance with generally accepted auditing standards; therefore, we do not express an opinion on any of the specific accounts or classes of transactions. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified above should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statement of the City of Lexington, Mississippi, for the year ended September 30, 2006.



Mullen & Company
Certified Public Accountants

March 6, 2008