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**TOWN OF PELAHATCHIE**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**TOWN OF PELAHATCHIE**

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**TOWN OF PELAHATCHIE**

**FINANCIAL SECTION**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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(601)939-8676

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American Institute of CPAs  
Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Aldermen  
Town of Pelahatchie

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the town's management. 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town of Pelahatchie, prepares its financial statements on 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.

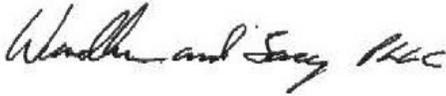
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie as of September 30, 2010, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2011, on our consideration of the Town of Pelahatchie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Pelahatchie has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Pelahatchie, Mississippi's basic financial statements. The other required supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The other required supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Windham and Lacey, PLLC  
May 13, 2011

**TOWN OF PELAHATCHIE**

**FINANCIAL STATEMENTS**

**Town of Pelahatchie**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and For the Year Ended September 30, 2010**

	<u>Cash</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes</u>		
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental</u>	<u>Business-type</u>
<b>Functions/Programs</b>		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Activities</u>	
			<u>Contributions</u>	<u>Contributions</u>			
Governmental Activities:							
General government	\$ 922,421	40,704		371,696	(510,021)		(510,021)
Public safety	659,597	97,707	238,316	76,141	(247,433)		(247,433)
Public works	637,818	77,826		274,290	(285,702)		(285,702)
Culture and recreation	1,250,232			1,250,232	0		0
Interest on long-term debt	4,560				(4,560)		(4,560)
Total Governmental Activities	<u>3,474,628</u>	<u>216,237</u>	<u>238,316</u>	<u>1,972,359</u>	<u>(1,047,716)</u>	<u>0</u>	<u>(1,047,716)</u>
Business-type Activities:							
Water/Sewer	336,339	456,374				120,035	120,035
Total Business-type Activities	<u>336,339</u>	<u>456,374</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,035</u>	<u>120,035</u>
Total Government	\$ <u>3,810,967</u>	<u>672,611</u>	<u>238,316</u>	<u>1,972,359</u>	<u>(1,047,716)</u>	<u>120,035</u>	<u>(927,681)</u>
General Receipts							
Taxes:							
Property taxes					\$ 292,624		292,624
Road & bridge privilege taxes					44,613		44,613
Sales tax					294,872		294,872
Franchise taxes					45,414		45,414
Grants and contributions not restricted to specific programs					3,925		3,925
Unrestricted investment income					4,133	2,026	6,159
Miscellaneous					114,309		114,309
Debt proceeds					962,469	1,477	963,946
Transfers					79,277	(79,277)	0
Total General Receipts					<u>1,841,636</u>	<u>(75,774)</u>	<u>1,765,862</u>
Change in net assets					<u>793,920</u>	<u>44,261</u>	<u>838,181</u>
Net Assets - Beginning					188,454	52,946	241,400
Net Assets - Ending					\$ <u>982,374</u>	<u>97,207</u>	<u>1,079,581</u>

**Town of Pelahatchie**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and For the Year Ended September 30, 2010**

**(Continued)**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 892,871
Restricted cash	186,710
Total Assets	<u>\$ 1,079,581</u>
<b>NET ASSETS</b>	
Restricted:	
Restricted for unemployment compensation	\$ 4,873
Restricted for fire protection	23,438
Restricted for law enforcement	131,716
Restricted for meter deposits	26,683
Unrestricted	<u>892,871</u>
Total Net Assets	<u>\$ 1,079,581</u>

The notes to the financial statements are an integral part of this statement.

**Town of Pelahatchie**  
**Statement of Cash Basis Assets and Fund Balances and**  
**Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**Governmental and Business-type Funds**  
**As of and For the Year Ended September 30, 2010**

	<u>Governmental Activities</u>				<u>Business-type</u>
	<u>Major Funds</u>				<u>Activities</u>
	<u>General Fund</u>	<u>Grants Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Funds</u>
<b>RECEIPTS</b>					
Ad valorem taxes	\$ 292,624			292,624	
Road and bridge tax	44,613			44,613	
License and permits	40,704			40,704	
Franchise taxes on utilities	45,414			45,414	
Grand Gulf payments in lieu of tax	52,914			52,914	
Intergovernmental revenues:					
Federal revenues:					
Public safety grants	35,847		54,760	90,607	
Grants		1,896,218		1,896,218	
State shared revenues:					
Sales taxes	294,872			294,872	
Grants				0	
General municipal aid	3,925			3,925	
Fire insurance rebate			7,957	7,957	
Local shared revenues:					
Forfeiture revenues			269,713	269,713	
County grants			15,824	15,824	
Charges for services:					
Garbage	77,826			77,826	
Water and sewer utility					439,426
Fines and forfeits	97,707			97,707	
Interest income	1,034		3,099	4,133	2,026
Contributions from outside sources				0	
Miscellaneous revenue	73,974		9,618	83,592	18,425
Total Receipts	<u>1,061,454</u>	<u>1,896,218</u>	<u>360,971</u>	<u>3,318,643</u>	<u>459,877</u>

**Town of Pelahatchie**  
**Statement of Cash Basis Assets and Fund Balances and**  
**Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**Governmental and Business-type Funds**  
**For the Year Ended September 30, 2010**

**(Continued)**

	<u>Governmental Activities</u>				<u>Business-type</u>
	<u>Major Fund</u>				<u>Activities</u>
	<u>General Fund</u>	<u>Grants Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Fund</u>
<b>DISBURSEMENTS</b>					
General government	389,176			389,176	
Public safety	489,230		65,815	555,045	
Public works	261,738			261,738	
Culture and recreation					
Water and sewer utility					
Personal services					299,906
Supplies					26,104
Utilities					47,569
Other services and charges					58,701
Total Disbursements	<u>1,140,144</u>	<u>0</u>	<u>65,815</u>	<u>1,205,959</u>	<u>432,280</u>
Excess of Receipts over (under) Disbursements	<u>(78,690)</u>	<u>1,896,218</u>	<u>295,156</u>	<u>2,112,684</u>	<u>27,597</u>
<b>OTHER CASH SOURCES (USES)</b>					
Issuance of debt	8,480	953,407		961,887	200,000
Purchase of capital assets	(102,462)			(102,462)	
Capital outlay - improvements	(106,068)	(1,914,595)		(2,020,663)	
Principal paid on loan and lease purchase	(783)	(215,423)	(10,570)	(226,776)	(16,133)
Interest paid on loan and lease purchase	(5,815)		(563)	(6,378)	(5,224)
Principal paid on bonds and notes	(3,649)			(3,649)	(72,000)
Interest paid on bonds and notes					(10,702)
Transfers in (out) to other funds	370,828	18,378	(309,929)	79,277	(79,277)
Fund equity transfer				0	
Total Other Cash Sources and (Uses)	<u>160,531</u>	<u>(1,158,233)</u>	<u>(321,062)</u>	<u>(1,318,764)</u>	<u>16,664</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	<u>81,841</u>	<u>737,985</u>	<u>(25,906)</u>	<u>793,920</u>	<u>44,261</u>
<b>CASH BASIS FUND BALANCE -</b>					
Beginning of Year	<u>7,391</u>	<u>3</u>	<u>181,060</u>	<u>188,454</u>	<u>52,946</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u>\$ 89,232</u>	<u>737,988</u>	<u>155,154</u>	<u>982,374</u>	<u>97,207</u>
<b>CASH BASIS ASSETS - End of Year</b>					
Cash and cash equivalents	\$ 84,359	737,988		822,347	70,524
Restricted cash	4,873		155,154	160,027	26,683
Total Cash Basis Assets	<u>\$ 89,232</u>	<u>737,988</u>	<u>155,154</u>	<u>982,374</u>	<u>97,207</u>
<b>CASH BASIS FUND BALANCES - End of Year</b>					
Reserved for unemployment compensation	\$ 4,873			4,873	
Unreserved	84,359	737,988	155,154	977,501	97,207
Total Cash Basis Fund Balances	<u>\$ 89,232</u>	<u>737,988</u>	<u>155,154</u>	<u>982,374</u>	<u>97,207</u>

The notes to the financial statements are an integral part of this statement.

## TOWN OF PELAHATCHIE

### Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The Town of Pelahatchie, Mississippi, (the Town) was incorporated in June, 1904. The Town operates under an alderman/mayor form of government and provides all of the rights and privileges provided by statute for municipalities.

The financial statements of the Town have been prepared on 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.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, 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 Town combines the Statement of Activities and Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with 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*.

C. 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 recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

The government reports the following major Governmental Funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *grants fund* is a capital projects fund which accounts for grants to be used for capital expenditures and improvements.

**TOWN OF PELAHATCHIE**

**Notes to Financial Statements  
For the Year Ended September 30, 2010**

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.

D. Assets and Net Assets or Equity.

1. *Cash and Investments.*

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

2. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(2) Cash and Cash Equivalents

At year-end, the Town's carrying amount of deposits was \$1,079,581 and the bank balance was \$1,109,272. The collateral for public entities' deposits in financial institutions are 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 Depository Insurance Corporation.

**Custodial Credit Risk – Deposits and Investments:** Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town. 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 the behalf of the Town. As of September 30, 2010, none of the Town's bank balance of \$1,109,272 was exposed to custodial risk.

**Interest Rate Risk:** The Town does not have a formal investment policy that limits investments 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 prescribed in Sections 27-105-33(d) and 27-105-33(e) Miss. Code Ann. (1972). The Town does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**TOWN OF PELAHATCHIE**

**Notes to Financial Statements  
For the Year Ended September 30, 2010**

(3) Defined Benefit Pension Plan.

Plan Description: The Town of Pelahatchie 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, at 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 12.0% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the years ended September 30, 2010, 2009 and 2008 were \$66,578, \$69,278, and \$62,779, respectively, which is equal to the required contributions for each year.

**TOWN OF PELAHATCHIE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Pelahatchie**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>RECEIPTS</b>				
Ad valorem taxes	\$ 301,500	292,624	292,624	
Road and bridge tax	47,000	44,613	44,613	
Charges for services	75,000	77,826	77,826	
License and permits	91,000	86,118	86,118	
Intergovernmental receipts	345,000	334,644	334,644	
In lieu of taxes	52,000	52,914	52,914	
Fines and forfeits	191,203	97,707	97,707	
Miscellaneous	12,000	75,008	75,008	
Total Receipts	<u>1,114,703</u>	<u>1,061,454</u>	<u>1,061,454</u>	<u>0</u>
<b>EXPENDITURES</b>				
General government	264,001	389,176	389,176	
Public safety	526,324	489,230	489,230	
Public works	322,206	261,738	261,738	
Debt service:				
Principal		4,432	4,432	
Interest		5,815	5,815	
Total Expenditures	<u>1,112,531</u>	<u>1,150,391</u>	<u>1,150,391</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>2,172</u>	<u>(88,937)</u>	<u>(88,937)</u>	<u>0</u>
<b>OTHER CASH SOURCES (USES)</b>				
Capital expenditure		(208,530)	(208,530)	
Proceeds from debt		8,480	8,480	
Transfers in		370,828	370,828	
Total Other Cash Sources and Uses	<u>0</u>	<u>170,778</u>	<u>170,778</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	2,172	81,841	81,841	0
Cash Basis Fund Balances - Beginning	<u>(2,172)</u>	<u>7,391</u>	<u>7,391</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>89,232</u>	<u>89,232</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

## TOWN OF PELAHATCHIE

### Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The Town'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.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

C. 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.

**TOWN OF PELAHATCHIE**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Pelahatchie**  
**Schedule of Changes in Long-term Debt**  
**For the Year Ended September 30, 2010**

Description	Outstanding Balance Sept. 30, 2009	Issued	Redeemed	Outstanding Balance Sept. 30, 2010
Bond issued				
1997 general obligation bond issue	\$ 208,000		22,000	186,000
1996 general obligation bond issue	90,000		50,000	40,000
2010 general obligation bond issue		953,407	19,000	934,407
Total general obligation bonds	298,000	953,407	91,000	1,160,407
Other long-term debt				
Trustmark tax anticipation note		200,000		200,000
Note payable - Evergreen settlement	25,121		5,240	19,881
State of Mississippi - CAP loan	207,340		10,893	196,447
State of Mississippi - CAP loan - fire truck	84,184		10,570	73,614
Note payable - Trustmark	65,366		783	64,583
Trustmark loan		8,480	1,818	6,662
	\$ 680,011	1,161,887	120,304	1,721,594

**Town of Pelahatchie, Mississippi**  
**Schedule of Investments - All Funds**  
**September 30, 2010**

	<u>Balance</u>
Enterprise Fund:	
2.75% Certificate of Deposit dated November 15, 2009, due 365 days after date	\$ 24,056
1.75% Certificate of Deposit dated March 30, 2010, due 365 days after date	<u>5,347</u>
Total Enterprise Fund investments	<u>29,403</u>
Employment Security Fund:	
1.25% Certificate of Deposit dated August 27, 2010, due 365 days after date	<u>4,873</u>
Total Employment Security Fund Investments	<u>4,873</u>
Total All Funds	<u><u>\$ 34,276</u></u>

**Town of Pelahatchie**  
**Schedule of Surety Bonds for Municipal Officials and Employees**  
**September 30, 2010**

<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Aldermen	MS Municipal Bond Program	\$ 50,000
Mayor	MS Municipal Bond Program	50,000
Town Clerk	Brierfield Insurance Company	50,000
Deputy Town Clerk	Brierfield Insurance Company	50,000
Human Resources Director	Brierfield Insurance Company	50,000
Police Chief	Brierfield Insurance Company	50,000
Police Officers	Brierfield Insurance Company	25,000
Court Clerk	Brierfield Insurance Company	50,000
Police Dispatchers	Brierfield Insurance Company	50,000

**TOWN OF PELAHATCHIE**

**SUPPLEMENTAL INFORMATION**

**TOWN OF PELAHATCHIE**  
**Schedule of Expenditures of Federal Awards**  
**September 30, 2010**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b>MAJOR FEDERAL AWARDS:</b>				
U.S. Department of Housing & Urban Development Mississippi Development Authority/Community Development Block Grants:				\$
City Hall renovation	14.228/14.219	R-110	R-110-294-01-GZ	303,451
Streetscape project	14.228/14.219	R-110	R-110-294-02-GZ	1,026,316
Self-help downtown improvements	14.228	CDBG 2007	1124-07-294-SH-01	<u>89,740</u>
<b>Total Expenditures of Major Federal Awards</b>				<u>1,419,507</u>
<b>OTHER FEDERAL AWARDS:</b>				
Department of Justice, Office of Justice Programs/ Mississippi Department of Public Safety Planning/ DUI Enforcement Program	16.738	09TA3201 S7CC294 09LE294		1,397 6,368 27,324
Department of Homeland Security/Mississippi Emergency Management Agency/Hazard Mitigation Grant Program	97.039	1604-136	1604-136	<u>44,608</u>
<b>Total Expenditures of Other Federal Awards</b>				<u>79,697</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,499,204</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements that are prepared on the basis of cash receipts and disbursements.

**TOWN OF PELAHATCHIE**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

**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  
Members of the Board of Aldermen  
Town of Pelahatchie, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise Town of Pelahatchie, Mississippi's basic financial statements and have issued our report thereon dated May 13, 2011. We conducted our 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*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Pelahatchie, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

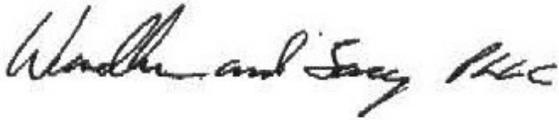
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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.

Our consideration of the internal controls over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pelahatchie, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, 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.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
May 13, 2011

# Windham and Lacey, PLLC

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Pelahatchie, Mississippi

### Compliance

We have audited the compliance of Town of Pelahatchie, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. Town of Pelahatchie, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Pelahatchie, Mississippi's management. Our responsibility is to express an opinion on Town of Pelahatchie, Mississippi's compliance based on our audit.

We conducted our 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 Town of Pelahatchie, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Pelahatchie, Mississippi's compliance with those requirements.

In our opinion, Town of Pelahatchie, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

### Internal Control Over Compliance

The management of Town of Pelahatchie, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Pelahatchie, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance 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 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 noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, 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.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
May 13, 2011

# Windham and Lacey, PLLC

*Certified Public Accountants*

---

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

Honorable Mayor and  
Members of the Board of Aldermen  
Town of Pelahatchie, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated May 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

### Finding

The Town did not include a Schedule of Capital Assets in the audit report as required by Office of the State Auditor.

### Recommendation

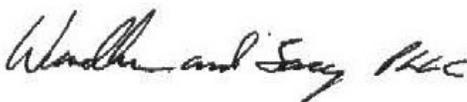
The Town should include a Schedule of Capital Assets in the audit report.

### City's Response

In future years, we will include a Schedule of Capital Assets in the audit report.

The Office of State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information and use of 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.



Windham and Lacey, PLLC  
May 13, 2011

**TOWN OF PELAHATCHIE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**TOWN OF PELAHTACHIE**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010**

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements:           | Unqualified   |
| 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            |

***Federal Awards:***

- |     |  |               |
|-----|--|---------------|
| 4.  | Internal control over major programs:  |               |
|     | a. Material weaknesses identified?   | No            |
|     | b. Significant deficiencies identified that are not considered to be material weaknesses?  | None reported |
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 6.  | Any audit findings reported as required by Section ____.510(a) of Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:   |               |
|     | U.S. Department of Housing and Urban Development/<br>Community Development Block Grants, CFDA #14.228  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes           |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No            |

**TOWN OF PELAHTACHIE**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010**

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.