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TOWN OF PELAHATCHIE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

TOWN OF PELAHATCHIE

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TOWN OF PELAHATCHIE

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements on the basis of cash receipts and disbursements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 Town'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 Town'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 opinion.

Opinions

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, each major fund and the aggregate remaining fund information of the Town of Pelahatchie as of September 30, 2016, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplementary Information

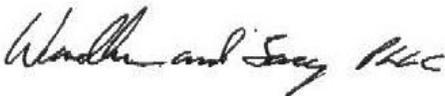
The Schedule of Surety Bonds for Municipal Officials and Employees, Schedule of Changes in Long-term Debt, Schedule of Investments - All Funds, and Schedule of Capital Assets for the Town of Pelahatchie, Mississippi, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2017 on our consideration of the Town of Pelahatchie, Mississippi'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* in considering the Town of Pelahatchie, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the Town of Pelahatchie, Mississippi, 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.



Windham and Lacey, PLLC
August 1, 2017

TOWN OF PELAHATCHIE

FINANCIAL STATEMENTS

Town of Pelahatchie
Statement of Activities and Net Position - Cash Basis
As of and For the Year Ended September 30, 2016

	<u>Cash</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
		<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Functions/Programs							
Governmental Activities:							
General government	\$ 296,459	14,133	3,580		(278,746)		(278,746)
Public safety	943,178	686,259		8,332	(248,587)		(248,587)
Public works	521,788	103,084			(418,704)		(418,704)
Culture and recreation	262,472			64,965	(197,507)		(197,507)
Economic development	42,176			115,664	73,488		73,488
Interest on long-term debt	59,949				(59,949)		(59,949)
Total Governmental Activities	<u>2,126,022</u>	<u>803,476</u>	<u>3,580</u>	<u>188,961</u>	<u>(1,130,005)</u>	<u>0</u>	<u>(1,130,005)</u>
Business-type Activities:							
Water/Sewer	<u>860,855</u>	<u>780,832</u>				(80,023)	(80,023)
Total Business-type Activities	<u>860,855</u>	<u>780,832</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(80,023)</u>	<u>(80,023)</u>
Total Government	\$ <u>2,986,877</u>	<u>1,584,308</u>	<u>3,580</u>	<u>188,961</u>	<u>(1,130,005)</u>	<u>(80,023)</u>	<u>(1,210,028)</u>
General Receipts							
Taxes:							
Property taxes					\$ 352,024		352,024
Road & bridge privilege taxes					48,575		48,575
Sales tax					377,128		377,128
Franchise taxes					40,638		40,638
Debt proceeds					314,811		314,811
Grants and contributions not restricted to specific programs					2,833		2,833
Unrestricted investment income					931	323	1,254
Miscellaneous					72,483	9,000	81,483
Transfers					(69,047)	69,047	0
Total General Receipts					<u>1,140,376</u>	<u>78,370</u>	<u>1,218,746</u>
Change in net position					10,371	(1,653)	8,718
Net Position - Beginning					<u>1,447,857</u>	<u>105,296</u>	<u>1,553,153</u>
Net Position - Ending					\$ <u>1,458,228</u>	<u>103,643</u>	<u>1,561,871</u>

Town of Pelahatchie
Statement of Activities and Net Position - Cash Basis
As of and For the Year Ended September 30, 2016

(Continued)

ASSETS	
Cash and cash equivalents	\$ 130,614
Restricted cash	<u>1,431,257</u>
Total Assets	\$ <u><u>1,561,871</u></u>
NET POSITION	
Restricted:	
Restricted for unemployment compensation	\$ 4,873
Restricted for public safety	1,323,943
Restricted for culture and recreation	72,760
Restricted for meter deposits	29,681
Unrestricted	<u>130,614</u>
Total Net Position	\$ <u><u>1,561,871</u></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, 2016

	<u>Governmental Activities</u>					<u>Business-type</u>
	<u>Major Funds</u>					<u>Activities</u>
	<u>General Fund</u>	<u>Police Seizure Fund</u>	<u>Grants Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Funds</u>
RECEIPTS						
Ad valorem taxes	\$ 352,024				352,024	
Road and bridge tax	48,575				48,575	
License and permits	14,133				14,133	
Franchise taxes on utilities	40,638				40,638	
Grand Gulf payments in lieu of tax	27,586				27,586	
Intergovernmental revenues:						
Federal revenues:						
Grants			160,629		160,629	
State shared revenues:						
Sales taxes	377,128				377,128	
General municipal aid	2,833				2,833	
Local shared revenues:						
Forfeiture revenues		594,859			594,859	
County grants				8,555	8,555	
Charges for services:						
Garbage	103,084				103,084	
Water and sewer utility						780,832
Fines and forfeits	91,400				91,400	
Interest income	147	775	8	1	931	323
Miscellaneous revenue	48,277			200	48,477	9,000
Total Receipts	<u>1,105,825</u>	<u>595,634</u>	<u>160,637</u>	<u>8,756</u>	<u>1,870,852</u>	<u>790,155</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
As of and For the Year Ended September 30, 2016

(Continued)

	Governmental Activities				Total	Business-type
	Major Funds					Water/Sewer
	General Fund	Police Seizure Fund	Grants Fund	Non-Major Funds		Fund
DISBURSEMENTS						
General government	154,145				154,145	
Public safety	622,135	7,106		10,444	639,685	
Public works	498,392		2		498,394	
Personal services						301,609
Supplies						23,411
Utilities						56,006
Other services and charges						346,623
Total Disbursements	<u>1,274,672</u>	<u>7,106</u>	<u>2</u>	<u>10,444</u>	<u>1,292,224</u>	<u>727,649</u>
Excess of Receipts over (under) Disbursements	<u>(168,847)</u>	<u>588,528</u>	<u>160,635</u>	<u>(1,688)</u>	<u>578,628</u>	<u>62,506</u>
OTHER CASH SOURCES (USES)						
Proceeds from debt	26,307		242,559		268,866	
Reimbursement for CAP loan payment	65,722				65,722	
Purchase of capital assets	(106,875)	(178,664)	(386,619)	(6,060)	(678,218)	(9,252)
Principal paid on loan and lease purchase	(43,686)			(11,945)	(55,631)	(54,875)
Interest paid on loan and lease purchase	(22,816)			(200)	(23,016)	(34,314)
Principal paid on bonds and notes	(40,000)				(40,000)	(30,255)
Interest paid on bonds and notes	(36,933)				(36,933)	(4,510)
Transfers in (out) to other funds	368,603	(449,553)		11,903	(69,047)	69,047
Total Other Cash Sources and (Uses)	<u>115,882</u>	<u>(628,217)</u>	<u>(144,060)</u>	<u>(6,302)</u>	<u>(568,257)</u>	<u>(64,159)</u>
Excess (Deficiency) of Receipts and Other Cash Sources over Disbursements and Other Cash Uses	41,475	(39,689)	16,575	(7,990)	10,371	(1,653)

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, 2016

(Continued)

	Governmental Activities				Total	Business-type
	Major Funds					Activities
	General Fund	Police Seizure Fund	Grants Fund	Non-Major Funds		Water/Sewer Fund
CASH BASIS FUND BALANCE - Beginning of Year	20,050	1,363,136	56,185	8,486	1,447,857	105,296
CASH BASIS FUND BALANCE - End of Year	\$ 61,525	1,323,447	72,760	496	1,458,228	103,643
CASH BASIS ASSETS - End of Year						
Cash and cash equivalents	\$ 56,652				56,652	73,962
Restricted cash	4,873	1,323,447	72,760	496	1,401,576	29,681
Total Cash Basis Assets	\$ 61,525	1,323,447	72,760	496	1,458,228	103,643
CASH BASIS FUND BALANCES - End of Year						
Restricted for public safety	\$	1,323,447		496	1,323,943	
Restricted for culture and recreation			72,760		72,760	
Restricted for unemployment	4,873				4,873	
Restricted for meter deposits						29,681
Unassigned	56,652				56,652	73,962
Total Cash Basis Fund Balances	\$ 61,525	1,323,447	72,760	496	1,458,228	103,643

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, 2016**

(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 Cash Position and the Statement of Activities) 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 Cash Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program receipts. *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 recorded when they are collected and disbursements 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 *Police Seizure Fund* is a special revenue fund which accounts for funds seized from criminal activities to be used for public safety expenditures.

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, 2016**

The Town reports the following major Proprietary Fund:

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

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 Position 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 accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

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

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

The Town uses restricted amounts to be spent first when both restricted and unassigned fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending.

TOWN OF PELAHATCHIE

Notes to Financial Statements For the Year Ended September 30, 2016

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$1,561,871 and the bank balance was \$1,585,361. 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, 2016, none of the Town's bank balance of \$1,585,361 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.

(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, 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 15.75% 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, 2016, 2015 and 2014 were \$99,685, \$87,055, and \$88,689, 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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Ad valorem taxes	\$ 341,300	352,024	352,024	
Road and bridge tax	50,000	48,575	48,575	
Charges for services	102,600	103,084	103,084	
License and permits	35,000	14,133	14,133	
Franchise taxes	45,000	40,638	40,638	
Intergovernmental receipts	376,000	379,961	379,961	
In lieu of taxes	27,000	27,586	27,586	
Fines and forfeits	100,000	91,400	91,400	
Miscellaneous	33,500	48,424	48,424	
Total Receipts	<u>1,110,400</u>	<u>1,105,825</u>	<u>1,105,825</u>	<u>0</u>
EXPENDITURES				
General government	362,503	154,145	154,145	
Public safety	534,802	622,135	622,135	
Public works	451,885	498,392	498,392	
Economic development				
Debt service:				
Principal		83,686	83,686	
Interest		59,749	59,749	
Total Expenditures	<u>1,349,190</u>	<u>1,418,107</u>	<u>1,418,107</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>(238,790)</u>	<u>(312,282)</u>	<u>(312,282)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Proceed from debt		26,307	26,307	
Reimbursement for debt repayment	62,204	65,722	65,722	
Capital expenditure		(106,875)	(106,875)	
Transfers	176,844	368,603	368,603	
Total Other Cash Sources and Uses	<u>239,048</u>	<u>353,757</u>	<u>353,757</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	258	41,475	41,475	0
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>20,050</u>	<u>20,050</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 258</u>	<u>61,525</u>	<u>61,525</u>	<u>0</u>

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

**Town of Pelahatchie
 Budgetary Comparison Schedule -
 Budget and Actual
 Police Seizure Fund
 For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Forfeiture revenues	\$ 0	594,859	594,859	
Interest		775	775	
Total Receipts	<u>0</u>	<u>595,634</u>	<u>595,634</u>	<u>0</u>
EXPENDITURES				
Public safety		7,106	7,106	
Total Expenditures	<u>0</u>	<u>7,106</u>	<u>7,106</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>0</u>	<u>588,528</u>	<u>588,528</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Capital expenditure		(178,664)	(178,664)	
Transfers out		(449,553)	(449,553)	
Total Other Cash Sources and Uses	<u>0</u>	<u>(628,217)</u>	<u>(628,217)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	0	(39,689)	(39,689)	0
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>1,363,136</u>	<u>1,363,136</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>1,323,447</u>	<u>1,323,447</u>	<u>0</u>

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

**Town of Pelahatchie
 Budgetary Comparison Schedule -
 Budget and Actual
 Grants Fund
 For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Intergovernmental receipts	\$	160,629	160,629	
Interest	<u>0</u>	<u>8</u>	<u>8</u>	
Total Receipts	<u>0</u>	<u>160,637</u>	<u>160,637</u>	<u>0</u>
EXPENDITURES				
Public works		<u>2</u>	<u>2</u>	
Total Expenditures	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>0</u>	<u>160,635</u>	<u>160,635</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt		242,559	242,559	
Capital expenditure		<u>(386,619)</u>	<u>(386,619)</u>	
Total Other Cash Sources and Uses	<u>0</u>	<u>(144,060)</u>	<u>(144,060)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	<u>0</u>	<u>16,575</u>	<u>16,575</u>	<u>0</u>
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>56,185</u>	<u>56,185</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>72,760</u>	<u>72,760</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, 2016

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 schedules are presented for the General Fund, the Police Seizure Fund and the Grants 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, 2016

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Adjustments</u>	<u>Outstanding Balance Sept. 30, 2016</u>
Bond Issues:					
1997 general obligation bond issue	\$ 61,000		30,255		30,745
2010 general obligation bond issue	<u>785,000</u>		<u>40,000</u>		<u>745,000</u>
Total General Obligation Bonds	<u>846,000</u>	<u>0</u>	<u>70,255</u>	<u>0</u>	<u>775,745</u>
Other Long-term Debt:					
State of Mississippi - CAP Loan	137,274		12,281		124,993
State of Mississippi - CAP Loan - fire truck	15,679		11,946		3,733
State of Mississippi - CAP Loan	224,590		17,536		207,054
State of Mississippi - CAP Loan- sewer improvements	489,866	242,559	14,500		717,925
State of Mississippi - CAP Loan - Multicraft	597,487		24,640		572,847
Catepillar Financial Services	72,023		10,953		61,070
Trustmark Bank loan	43,603		17,141		26,462
PriorityOne loan		<u>26,307</u>	<u>1,509</u>		<u>24,798</u>
Total Other Long-term Debt	<u>1,580,522</u>	<u>268,866</u>	<u>110,506</u>	<u>0</u>	<u>1,738,882</u>
Total Long-term Debt	<u>\$ 2,426,522</u>	<u>268,866</u>	<u>180,761</u>	<u>0</u>	<u>2,514,627</u>

Town of Pelahatchie, Mississippi
Schedule of Investments - All Funds
September 30, 2016

	<u>Balance</u>
Special Revenue Fund	
.35% Certificate of Deposit, dated September 7, 2016, due 365 days after date	\$ <u>52,000</u>
Total Special Revenue Fund Investments	<u>52,000</u>
Enterprise Fund	
.25% Certificate of Deposit, dated November 15, 2015, due 365 days after date	24,056
.25% Certificate of Deposit, dated March 31, 2016, due 365 days after date	<u>5,625</u>
Total Enterprise Fund investments	<u>29,667</u>
Employment Security Fund	
.20% Certificate of Deposit, dated August 26, 2016, due 365 days after date	<u>4,873</u>
Total Employment Security Fund Investments	<u>4,873</u>
Total All Funds	\$ <u><u>86,554</u></u>

Town of Pelahatchie
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2016

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets:					
Land	\$ 225,557	111,591			337,148
Construction in progress	2,012,445	144,060			2,156,505
Buildings and improvements other than buildings	2,730,408				2,730,408
Machinery and equipment	<u>1,008,296</u>	<u>180,008</u>			<u>1,188,304</u>
Total Governmental Activities Capital Assets	\$ <u>5,976,706</u>	<u>435,659</u>	<u>0</u>	<u>0</u>	<u>6,412,365</u>
Business-type Activities					
Capital Assets:					
Land	\$ 26,318				26,318
Construction in progress	355,990	242,559			598,549
Machinery and equipment	323,780	9,252			333,032
Water/Sewer infrastructure	4,343,366				4,343,366
Water/Sewer improvements	<u>9,109</u>				<u>9,109</u>
Total Business-type Activities Capital Assets	\$ <u>5,058,563</u>	<u>251,811</u>	<u>0</u>	<u>0</u>	<u>5,310,374</u>

Assets acquired through the grant fund can be assets for both governmental activities and business-type activities. In the current year, additions of \$242,559 were business-type activity assets acquired through the grant fund.

**Town of Pelahatchie
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2016**

Name	Position	Company	Coverage
Frank Boyd	Alderman	MS Municipal Bond Program	\$ 50,000
Megan Hall	Alderman	MS Municipal Bond Program	50,000
Michael Adams	Alderman	MS Municipal Bond Program	50,000
Jerry W. Norwood	Alderman	MS Municipal Bond Program	50,000
Margie A. Warren	Alderman	MS Municipal Bond Program	50,000
Knox Ross	Mayor	MS Municipal Bond Program	50,000
Bettye Massey	Town Clerk	Western Surety	50,000
Ruby Burns	Human Resources Director	Western Surety	50,000
Glenda Shoemaker	Police Chief (Oct 2015-May 2016)	Western Surety	50,000
Kevin Poole	Police Chief (May 2016-Sept 2016)	Western Surety	50,000
Scott Kelly	Police Captain	Western Surety	50,000
Various	Police Officers	Western Surety	50,000
Lavern Harper	Court Clerk	Western Surety	50,000
Michael Haskins	Police Dispatcher	Western Surety	50,000

TOWN OF PELAHATCHIE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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
BASIC 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 the Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Pelahatchie, Mississippi's basic financial statements and have issued our report thereon dated August 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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. 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.

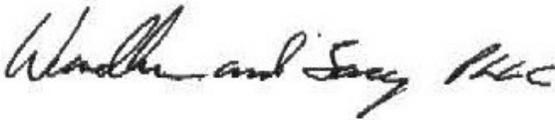
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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*.

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 result 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
August 1, 2017

Windham and Lacey, PLLC

Certified Public Accountants

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

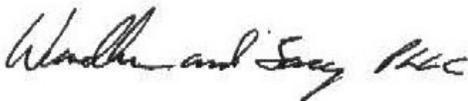
Honorable Mayor and
Members of the Board of Aldermen
Town of Pelahatchie, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated August 1, 2017. 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.

With respect to the items tested, the results of those procedures and our audit of the basic financial statements disclosed no instances of noncompliance with state laws and regulations.

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
August 1, 2017

TOWN OF PELAHATCHIE

SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF PELAHTACHIE
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|----------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's 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 |

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*.