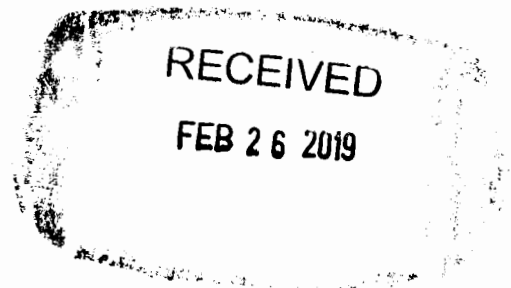




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TOWN OF PELAHATCHIE
FINANCIAL STATEMENTS

SEPTEMBER 30, 2017



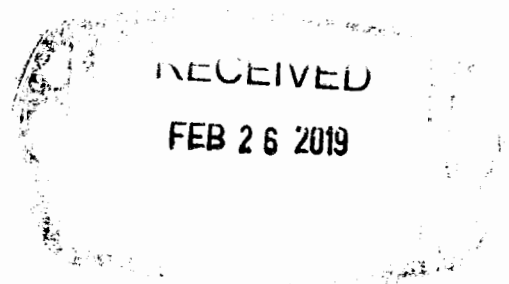
TOWN OF PELAHATCHIE

TABLE OF CONTENTS

	Page
FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT.....	2-3
FINANCIAL STATEMENTS.....	4
Statement of Activities and Net Position - Cash Basis.....	5-6
Statement of Cash Basis Assets and Fund Balances and	
Cash Receipts, Disbursements and Changes in Cash Basis	
Fund Balances - Governmental and Business-type Funds	7-9
Notes to Financial Statements	10-13
REQUIRED SUPPLEMENTARY INFORMATION	14
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)	
General Fund.....	15
Police Seizure Fund	16
Notes to the Required Supplementary Information	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	18
Schedule of Changes in Long-term Debt	19
Schedule of Investments - All Funds	20
Schedule of Capital Assets.....	21
Schedule of Surety Bonds for Municipal Officials and Employees	22
SPECIAL REPORTS	23
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance with State Laws and Regulations.....	26
SCHEDULE OF FINDINGS AND RESPONSES	27-28

TOWN OF PELAHATCHIE

FINANCIAL SECTION



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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, 2017, 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.

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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, 2017, 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

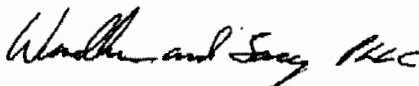
The Schedule of Surety Bonds for Municipal Officials and Employees, Schedule of Changes in Long-term Debt, Schedule of Investments - All Funds, and Schedule of Capital Assets for the Town of Pelahatchie, Mississippi, have not been subjected to the auditing procedures applied in the audit of the basic 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 October 19, 2018 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 effectiveness of the Town of Pelahatchie, Mississippi's 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

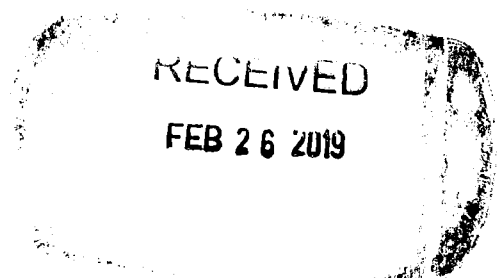
As discussed in Note 1, the Town of Pelahatchie, Mississippi, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



Windham and Lacey, PLLC
October 19, 2018

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, 2017

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General government	\$ 255,997	21,144			(234,853)		(234,853)
Public safety	982,821	117,523		50,320	(814,978)		(814,978)
Public works	528,244	103,658			(424,586)		(424,586)
Culture and recreation	605,270			78,524	(526,746)		(526,746)
Economic development	64,065			277,565	213,500		213,500
Interest on long-term debt	55,748				(55,748)		(55,748)
Total Governmental Activities	<u>2,492,145</u>	<u>242,325</u>	<u>0</u>	<u>406,409</u>	<u>(1,843,411)</u>	<u>0</u>	<u>(1,843,411)</u>
Business-type Activities:							
Water/Sewer	663,901	605,225				(58,676)	(58,676)
Total Business-type Activities	<u>663,901</u>	<u>605,225</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(58,676)</u>	<u>(58,676)</u>
Total Government	<u>\$ 3,156,046</u>	<u>847,550</u>	<u>0</u>	<u>406,409</u>	<u>(1,843,411)</u>	<u>(58,676)</u>	<u>(1,902,087)</u>
General Receipts							
Taxes:							
Property taxes					\$ 360,771		360,771
Road & bridge privilege taxes					50,216		50,216
Sales tax					386,380		386,380
Franchise taxes					38,651		38,651
Grants and contributions not restricted to specific programs					4,584		4,584
Unrestricted investment income					797	148	945
Miscellaneous					89,973	4,663	94,636
Interfund loans					(24,279)	24,279	
Total General Receipts					<u>907,093</u>	<u>29,090</u>	<u>936,183</u>
Change in Net Position					<u>(936,318)</u>	<u>(29,586)</u>	<u>(965,904)</u>
Net Position - Beginning					1,458,228	103,643	1,561,871
Prior period adjustment					(56,602)		(56,602)
Net Position, as restated					<u>1,401,626</u>	<u>103,643</u>	<u>1,505,269</u>
Net Position - Ending					<u>\$ 465,308</u>	<u>74,057</u>	<u>539,365</u>

TOWN OF PELAHATCHIE
Statement of Activities and Net Position - Cash Basis
As of and for the Year Ended September 30, 2017

(Continued)

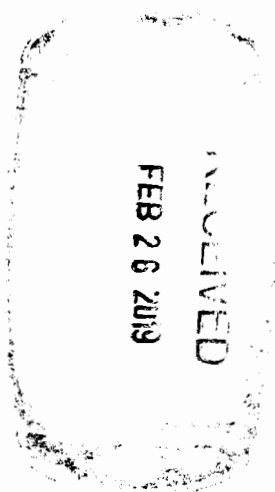
ASSETS

Cash and cash equivalents	\$ 105,941
Restricted cash	<u>433,424</u>
Total Assets	\$ <u>539,365</u>

NET POSITION

Restricted:	
Restricted for unemployment compensation	\$ 4,875
Restricted for public safety	362,434
Restricted for culture and recreation	16,163
Restricted for meter deposits	49,952
Unrestricted	<u>105,941</u>
Total Net Position	\$ <u>539,365</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, 2017**

	Governmental Activities					Business-type Activities
	Major Funds					
	General Fund	Police Seizure Fund	Grants Fund	Non-Major Funds	Total	Water/Sewer Fund
RECEIPTS						
Ad valorem taxes	\$ 360,771				360,771	
Road and bridge tax	50,216				50,216	
License and permits	21,144				21,144	
Franchise taxes on utilities	38,651				38,651	
Grand Gulf payments in lieu of tax	27,2301				27,201	
Intergovernmental revenues:						
Federal revenues:						
Grants			356,085		356,085	
State shared revenues:						
Sales taxes	386,380				386,380	
General municipal aid	4,584				4,584	
Local shared revenues:						
County grants				50,320	50,320	
Local grants						
Charges for services:						
Garbage	103,658				103,658	
Water and sewer utility						604,840
Fines and forfeits	117,523				117,523	
Interest income	109	675	9	3	796	148
Miscellaneous revenue	23,279			720	23,999	4,500
Total Receipts	<u>1,133,516</u>	<u>675</u>	<u>356,094</u>	<u>51,043</u>	<u>1,541,328</u>	<u>609,488</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, 2017

(Continued)

	Governmental Activities					Business-type Activities
	Major Funds					
	General Fund	Police Seizure Fund	Grants Fund	Non-Major Funds	Total	Water/Sewer Fund
DISBURSEMENTS						
General government	282,053				282,053	
Public safety	795,070	62,499		20,947	878,516	
Public works	288,947				288,947	
Water and sewer utility:						
Personal services						332,976
Supplies						26,755
Utilities						54,111
Other services and charges						122,959
Total Disbursements	<u>1,366,070</u>	<u>62,499</u>	<u>0</u>	<u>20,947</u>	<u>1,449,516</u>	<u>536,801</u>
Excess of Receipts Over (Under) Disbursements	<u>(232,554)</u>	<u>(61,824)</u>	<u>356,094</u>	<u>30,096</u>	<u>91,812</u>	<u>72,687</u>
OTHER CASH SOURCES (USES)						
Reimbursement for CAP loan payment	38,773				38,773	
Purchase of capital assets	(134,496)	(30,650)	(733,761)		(898,907)	(6,747)
Principal paid on long-term debt	(84,236)			(3,733)	(87,969)	(99,385)
Interest paid on long-term debt	(55,734)			(14)	(55,748)	(20,420)
Interfund loans	186,273	(577,050)	377,672	(11,174)	(24,279)	24,279
Transfers in (out) to other funds	307,160	(312,534)		5,374		
Total Other Cash Sources and (Uses)	<u>257,740</u>	<u>(920,234)</u>	<u>(356,089)</u>	<u>(9,547)</u>	<u>(1,028,130)</u>	<u>(102,273)</u>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	<u>25,186</u>	<u>(982,058)</u>	<u>5</u>	<u>20,549</u>	<u>(936,318)</u>	<u>(29,586)</u>

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TOWN OF PELAHATCHIE**(Continued)**

**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, 2017**

	Governmental Funds					Business-type Activities
	Major Funds					
	General Fund	Police Seizure Fund	Grants Fund	Non-Major Funds	Total	Water/Sewer Fund
CASH BASIS FUND BALANCE - Beginning of Year	61,525	1,323,447	72,760	496	1,458,228	103,643
Prior period adjustment			(56,602)		(56,602)	
CASH BASIS FUND BALANCE - As Restated	61,525	1,323,447	16,158	496	1,401,626	103,643
CASH BASIS FUND BALANCE - End of Year	<u>\$ 86,711</u>	<u>341,389</u>	<u>16,163</u>	<u>21,045</u>	<u>465,308</u>	<u>74,057</u>
CASH BASIS ASSETS - End of Year						
Cash and cash equivalents	\$ 81,836				81,836	24,105
Restricted cash	4,875	341,389	16,163	21,045	383,472	49,952
Total Cash Basis Assets	<u>\$ 86,711</u>	<u>341,389</u>	<u>16,163</u>	<u>21,045</u>	<u>465,308</u>	<u>74,057</u>
CASH BASIS FUND BALANCES - End of Year						
Restricted for public safety	\$	341,389		21,045	362,434	
Restricted for public works			16,163		16,163	
Restricted for unemployment	4,875				4,875	
Restricted for meter deposits						49,952
Unassigned	81,836				81,836	24,105
Total Cash Basis Fund Balances	<u>\$ 86,711</u>	<u>341,389</u>	<u>16,163</u>	<u>21,045</u>	<u>465,308</u>	<u>74,057</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, 2017

(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, 2017

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 abovementioned 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.

(2) Cash and Cash Equivalents.

At year-end, the Town's carrying amount of deposits was \$539,365 and the bank balance was \$595,633. 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 Depositary Insurance Corporation.

TOWN OF PELAHATCHIE

Notes to Financial Statements For the Year Ended September 30, 2017

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, 2017, none of the Town's bank balance of \$595,633 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.

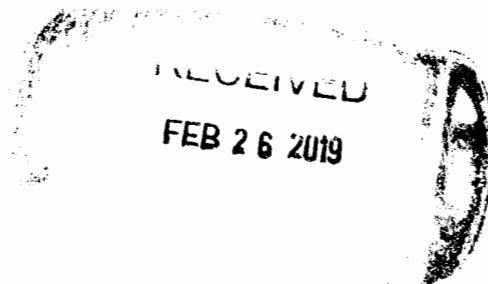
(3) Defined Benefit Pension Plan.

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, 2017, 2016 and 2015 were \$122,738, \$99,685 and \$87,055, respectively, which is equal to the required contributions for each year.

(4) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The Pelahatchie Board of Aldermen and the Rankin County Board of Supervisors negotiate property tax abatements on an individual basis. The Town has no tax abatement agreements in effect as of September 30, 2017.



TOWN OF PELAHATCHIE

Notes to Financial Statements For the Year Ended September 30, 2017

(5) Subsequent Events.

GAAP requires the Town to evaluate events that occur subsequent to the date of the Statement of Activities and Net Position – Cash Basis but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Activities and Net Position – Cash Basis date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Activities and Net Position – Cash Basis date but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of the Town of Pelahatchie evaluated the Town's activity and events that occurred through October 19, 2018, and determined that the following subsequent event meets the disclosure requirements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/07/2017	4.25%	\$ 98,130	Loan	Ad valorem taxes

(6) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

Statement of Activities and Net Position – Cash Basis

Governmental Activities:

<u>Explanation</u>	<u>Amount</u>
To adjust cash for corrections	\$ (56,602)
Total prior period adjustments	\$ (56,602)

Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Activities.

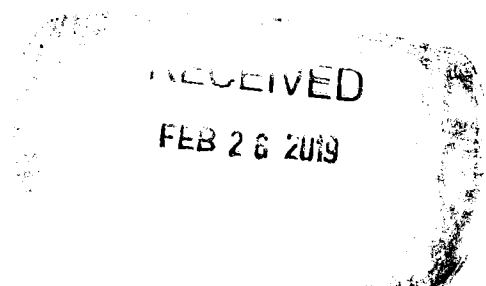
Grants Fund:

<u>Explanation</u>	<u>Amount</u>
To adjust cash for corrections	\$ (56,602)
Total prior period adjustments	\$ (56,602)

:

TOWN OF PELAHATCHIE

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF PELAHATCHIE
Budgetary Comparison Schedule -
Budget and Actual
General Fund
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Ad valorem taxes	\$ 361,632	360,771	360,771	
Road and bridge tax	50,000	50,216	50,216	
Charges for services	103,000	103,658	103,658	
License and permits	43,000	21,144	21,144	
Franchise taxes	47,000	38,651	38,651	
Intergovernmental receipts	381,000	390,964	390,964	
In lieu of taxes	27,600	27,201	27,201	
Fines and forfeits	135,000	117,523	117,523	
Miscellaneous	30,000	23,388	23,388	
Total Receipts	<u>1,178,232</u>	<u>1,133,516</u>	<u>1,133,516</u>	<u>0</u>
EXPENDITURES				
General government	324,771	282,053	282,053	
Public safety	770,162	795,070	795,070	
Public works	424,300	288,947	288,947	
Economic development				
Debt service:				
Principal		84,236	84,236	
Interest		55,734	55,734	
Total Expenditures	<u>1,519,233</u>	<u>1,506,040</u>	<u>1,506,040</u>	<u>0</u>
Excess of Receipts Over (Under) Expenditures	<u>(341,001)</u>	<u>(372,524)</u>	<u>(372,524)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Reimbursement for debt repayment	62,204	38,773	38,773	
Capital expenditure		(134,496)	(134,496)	
Interfund loans		186,273	186,273	
Transfers	284,000	307,160	307,160	
Total Other Cash Sources and Uses	<u>346,204</u>	<u>397,710</u>	<u>397,710</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	5,203	25,186	25,186	0
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>61,525</u>	<u>61,525</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 5,203</u>	<u>86,711</u>	<u>86,711</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Interest	\$	675	675	
Total Receipts	<u>0</u>	<u>675</u>	<u>675</u>	<u>0</u>
EXPENDITURES				
Public safety		62,499	62,499	
Total Expenditures	<u>0</u>	<u>62,499</u>	<u>62,499</u>	<u>0</u>
Excess of Receipts Over (Under) Expenditures	<u>0</u>	<u>(61,824)</u>	<u>(61,824)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Purchase of capital assets		(30,650)	(30,650)	
Interfund loans		(577,050)	(577,050)	
Transfers out		(312,534)	(312,534)	
Total Other Cash Sources and Uses	<u>0</u>	<u>(920,234)</u>	<u>(920,234)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	0	(982,058)	(982,058)	0
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>1,323,447</u>	<u>1,323,447</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>341,389</u>	<u>341,389</u>	<u>0</u>

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

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TOWN OF PELAHATCHIE

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

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 and the Police Seizure 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

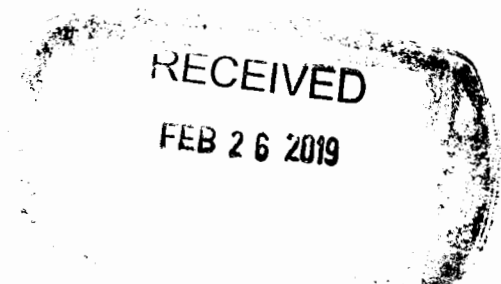
TOWN OF PELAHATCHIE
Schedule of Changes in Long-term Debt - UNAUDITED
For the Year Ended September 30, 2017

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Adjustments *</u>	<u>Outstanding Balance Sept. 30, 2017</u>
Bond Issues:					
1997 general obligation bond issue	\$ 30,745		30,745		
2010 general obligation bond issue	745,000		40,000		705,000
Total General Obligation Bonds	<u>775,745</u>	<u>0</u>	<u>70,745</u>	<u>0</u>	<u>705,000</u>
Other Long-term Debt:					
State of Mississippi - CAP loan	124,993		12,473		112,520
State of Mississippi - CAP loan - fire truck	3,733		3,733		
State of Mississippi - CAP loan	207,054		17,800		189,254
State of Mississippi - CAP loan - sewer improvements	717,925		27,317		690,608
State of Mississippi - CAP loan - Multicraft	572,847		25,003		547,844
Caterpillar Financial Services	61,070		11,310		49,760
Trustmark Bank loan	26,462		17,540		8,922
PriorityOne loan				33,332	33,332
PriorityOne loan	24,798		1,433		23,365
Total Other Long-term Debt	<u>1,738,882</u>	<u>0</u>	<u>116,609</u>	<u>33,332</u>	<u>1,655,605</u>
Total Long-term Debt	\$ <u>2,514,627</u>	<u>0</u>	<u>187,354</u>	<u>33,332</u>	<u>2,360,605</u>

* Loan was issued in FY 2016 but was recorded as miscellaneous income instead of loan proceeds.

TOWN OF PELAHATCHIE
Schedule of Investments - All Funds - UNAUDITED
September 30, 2017

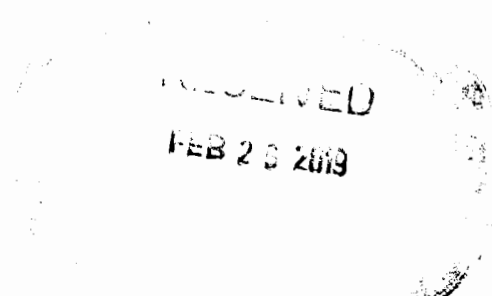
	<u>Balance</u>
Special Revenue Fund	
.40% Certificate of Deposit, dated September 2, 2017, due 365 days after date	\$ <u>52,177</u>
Total Special Revenue Fund Investments	<u>52,177</u>
Enterprise Fund	
.35% Certificate of Deposit, dated November 13, 2016, due 365 days after date	24,129
.35% Certificate of Deposit, dated March 28, 2017, due 365 days after date	<u>5,652</u>
Total Enterprise Fund Investments	<u>29,781</u>
Employment Security Fund	
.40% Certificate of Deposit, dated August 27, 2017, due 365 days after date	<u>4,875</u>
Total Employment Security Fund Investments	<u>4,875</u>
Total All Funds	\$ <u>86,833</u>



TOWN OF PELAHATCHIE
Schedule of Capital Assets - UNAUDITED
For the Fiscal Year Ended September 30, 2017

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities					
Capital Assets:					
Land	\$ 337,148				337,148
Construction in progress	2,156,505	566,885		(2,156,505)	566,885
Buildings and improvements other than buildings	2,730,408			2,143,369	4,873,777
Machinery and equipment	<u>1,188,304</u>	<u>165,146</u>	<u>115,027</u>		<u>1,238,423</u>
Total Governmental Activities Capital Assets	\$ <u>6,412,365</u>	<u>732,031</u>	<u>115,027</u>	<u>(13,136)</u>	<u>7,016,233</u>
Business-type Activities					
Capital Assets:					
Land	\$ 26,318				26,318
Construction in progress	598,549	166,876 *		(585,413)	180,012
Machinery and equipment	333,032	6,747	14,734		325,045
Water/Sewer infrastructure	4,343,366			598,549	4,941,915
Water/Sewer improvements	<u>9,109</u>				<u>9,109</u>
Total Business-type Activities Capital Assets	\$ <u>5,310,374</u>	<u>173,623</u>	<u>14,734</u>	<u>13,136</u>	<u>5,482,399</u>

* In the current year, the Town made these expenditures from the Grant Fund which is a governmental activities fund.



TOWN OF PELAHATCHIE**Schedule of Surety Bonds for Municipal Officials and Employees - UNAUDITED****September 30, 2017**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Frank Boyd	Alderman	MS Municipal Bond Program	\$ 50,000
James Ray Harrell	Alderman	MS Municipal Bond Program	50,000
Michael Adams	Alderman	MS Municipal Bond Program	50,000
Edward E. Jones	Alderman	MS Municipal Bond Program	50,000
Margie A. Warren	Alderman	MS Municipal Bond Program	50,000
Ryshonda Beechem	Mayor	MS Municipal Bond Program	50,000
Bettye Massey	Town Clerk	Western Surety	50,000
Ruby Burns	Deputy Clerk	Western Surety	50,000
Ruby Burns	Human Resources Director	Western Surety	50,000
Kevin Poole	Police Chief	Western Surety	50,000
Scott Kelly	Police Captain	Western Surety	50,000
Kirschen Craft	Court Clerk	Western Surety	50,000
Shannon Adams	Police Dispatcher	Western Surety	50,000
Willie Robinson	Police Dispatcher	Western Surety	50,000

TOWN OF PELAHATCHIE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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**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

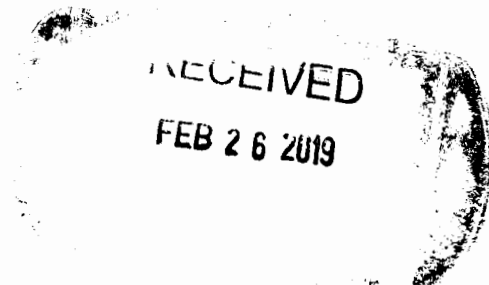
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Pelahatchie, Mississippi's basic financial statements and have issued our report thereon dated October 19, 2018.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2017-001 to be a material weakness.



Compliance and Other Matters

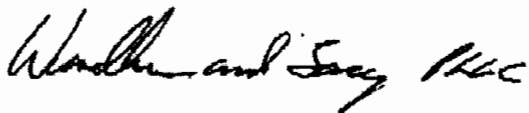
As part of obtaining reasonable assurance about whether the Town of Pelahatchie, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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*.

Town's Response to Findings

The Town of Pelahatchie, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Pelahatchie, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
October 19, 2018

Windham and Lacey, PLLC

Certified Public Accountants

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

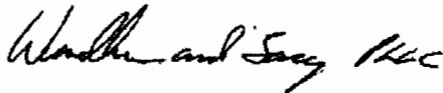
Honorable Mayor and
Members of the Board of Aldermen
Town of Pelahatchie, Mississippi

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, 2017, and have issued our report thereon dated October 19, 2018. 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.

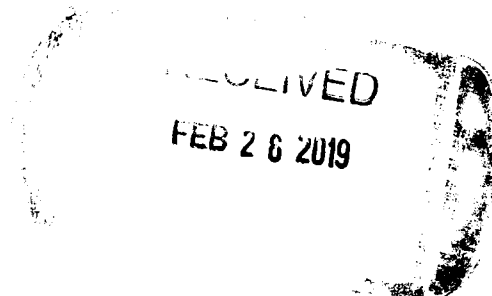


Windham and Lacey, PLLC
October 19, 2018

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TOWN OF PELAHATCHIE

SCHEDULE OF FINDINGS AND RESPONSES



TOWN OF PELAHTACHIE
Schedule of Findings and Responses
For the Year Ended September 30, 2017

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 weakness identified? Yes
 - 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

Material Weakness

2017-001. **Reconciliation of Interfund Transactions**

Finding

The Town engages in transactions between funds by either making loans between funds or by transferring money between funds. Such transactions are made for a variety of reasons including moving money the State deposits into the General Fund to the correct fund and for short-term loans to finance grant related projects for which grant payments have not yet been received. While such transactions are necessary, good internal control requires the Town to maintain adequate records to document the transactions and to periodically reconcile the transactions between the various funds. Transfers to one fund should result in a transfer from another fund that should offset. Additionally, loans to one fund (due from) should result in a loan payable (due to) in another fund. For the current year, there was no such documentation or reconciliation provided.

Recommendation

The Town Clerk should keep records of interfund transactions that would allow easy identification of the amounts and funds involved, and those transactions should be reconciled between funds periodically.

Response

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