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Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF PELAHATCHIE, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2018

TOWN OF PELAHATCHIE, MISSISSIPPI

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September 30, 2018

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HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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, 2018, 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.

Auditors' 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 auditors' 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.

Basis for Adverse Opinion on the Expenditures of the Governmental Activities and General Fund

We were unable to obtain sufficient and appropriate audit evidence for expenditures of the general fund due to lack of supporting documentary evidence made available to us for our verification.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on the Expenditures of the Governmental Activities and General Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities or general fund of the Town of Pelahatchie, Mississippi as of September 30, 2018, and the changes in financial position thereof and for the year then ended in accordance with the cash basis of accounting.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities, the Police Seizure Fund, the Fire Fund, and the aggregate remaining fund information of the Town of Pelahatchie, Mississippi, as of September 30, 2018, 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

Omission of Required Supplementary Information

Town of Pelahatchie, Mississippi, has omitted the Management’s Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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 an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The Schedule of Changes in Debt, the Schedule of Investments-All Funds, and the 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 27, 2021, 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 Town of Pelahatchie, Mississippi's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Pelahatchie's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 by the United States of America.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

Hattiesburg, Mississippi
October 27, 2021

TOWN OF PELAHATCHIE, MISSISSIPPI
Statement of Activities and Net Position-Cash Basis
For the Year Ended September 30, 2018

EXHIBIT 1

	Program Cash Receipts				Governmental Activities	Business- Type Activities	Total
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Function/Programs:							
Governmental Activities:							
General Government	\$ (498,947)	\$ 39,148	\$ -	\$ -	\$ (459,799)	\$ -	\$ (459,799)
Public Safety	(1,018,662)	383,051	-	1,186,116	550,505	-	550,505
Public Works	(1,258,348)	68,342	-	373,926	(816,080)	-	(816,080)
Economic Development	(24,071)	-	-	-	(24,071)	-	(24,071)
Interest on Long-term Debt	(53,228)	-	-	-	(53,228)	-	(53,228)
Total Governmental Activities	(2,853,256)	490,541	-	1,560,042	(802,673)	-	(802,673)
Business-Type Activities:							
Water/Sewer	(1,016,793)	729,442	-	175,059	-	(112,292)	(112,292)
Total Business-Type Activities	(1,016,793)	729,442	-	-	-	(112,292)	(112,292)
Total Functions/Programs	<u>\$ (3,870,049)</u>	<u>\$1,219,983</u>	<u>\$ -</u>	<u>\$ 1,735,101</u>	<u>\$ (802,673)</u>	<u>\$ (112,292)</u>	<u>\$ (914,965)</u>
General Receipts							
Property Taxes					\$ 408,874	\$ -	\$ 408,874
Road and Bridge Privilege Taxes					53,165	-	53,165
Sales Tax					416,186	-	416,186
Franchise Tax					45,408	-	45,408
Grants and Contributions not Restricted to Specific Programs					20,020	-	20,020
Unrestricted Investment Income					705	172	877
Miscellaneous					139,937	1,706	141,643
Proceeds from Debt Issuance					90,906	-	90,906
Transfers					(205,754)	205,754	-
Total General Receipts					969,447	207,632	1,177,079
Change in Net Position					166,774	95,340	262,114
Net Position-Beginning of Year					465,308	74,057	539,365
Prior period adjustment					49,615	(54,730)	(5,115)
Net Position-Beginning of Year, as Restated					514,923	19,327	534,250
Net Position-End of Year					<u>\$ 681,697</u>	<u>\$ 114,667</u>	<u>\$ 796,364</u>

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

TOWN OF PELAHATCHIE, MISSISSIPPI
Statement of Activities and Net Position- Cash Basis
For the Year Ended September 30, 2018

Exhibit 2

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,453	\$ 63,525	\$ 74,978
Restricted cash	670,244	51,142	721,386
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 681,697	\$ 114,667	\$ 796,364
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
NET POSITION			
Restricted:			
Restricted for unemployment compensation	\$ 4,895	\$ -	\$ 4,895
Restricted for public safety	649,180	-	649,180
Restricted for public works	16,169	-	16,169
Restricted for meter deposits	-	51,142	51,142
Unrestricted	11,453	63,525	74,978
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 681,697	\$ 114,667	\$ 796,364
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF PELAHATCHIE, MISSISSIPPI
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, 2018

Exhibit 3

	<u>Governmental Activities</u>				<u>Business-Type</u>	
	<u>Major Funds</u>			<u>Non-Major</u>	<u>Total</u>	<u>Activities</u>
	<u>General</u>	<u>Police Seizure</u>	<u>Fire</u>			<u>Water/Sewer</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>		<u>Fund</u>
RECEIPTS						
Ad Valorem Taxes	\$ 408,874	\$ -	\$ -	\$ -	\$ 408,874	\$ -
Road and Bridge Tax	53,165	-	-	-	53,165	-
Licenses and Permits	39,148	-	-	-	39,148	-
Franchise Taxes on Utilities	45,408	-	-	-	45,408	-
Grand Gulf Payments in Lieu of Tax	26,463	-	-	-	26,463	-
Intergovernmental Revenue:						
Federal Revenues:						
Grants	1,217,293	-	342,749	-	1,560,042	175,059
State Shared Revenues:						
Sales Taxes	416,186	-	-	-	416,186	-
General Municipal Aid	4,584	-	-	-	4,584	-
Other	7,821	-	7,615	-	15,436	-
Charges for Services:						
Garbage	68,342	-	-	-	68,342	81,947
Water and Sewer Utility	-	-	-	-	-	647,495
Fines and Forfeits	91,346	291,705	-	-	383,051	-
Interest Income	80	606	10	9	705	172
Miscellaneous Revenue	14,930	-	2	-	14,932	1,706
Total Receipts	<u>2,393,640</u>	<u>292,311</u>	<u>350,376</u>	<u>9</u>	<u>3,036,336</u>	<u>906,379</u>

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

TOWN OF PELAHATCHIE, MISSISSIPPI
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, 2018

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Exhibit 3

	<u>Governmental Activities</u>					<u>Business-Type</u>
	<u>Major Funds</u>					<u>Activities</u>
	<u>General</u>	<u>Police Seizure</u>	<u>Fire</u>	<u>Non-Major</u>		<u>Water/Sewer</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>	<u>Fund</u>
DISBURSEMENTS						
General Government	\$ 334,709	\$ -	\$ -	\$ -	\$ 334,709	\$ -
Public Safety	632,762	-	28,313	-	661,075	-
Public Works	281,203	-	-	-	281,203	-
Water and Sewer Utility:						
Personal Services	-	-	-	-	-	303,993
Supplies	-	-	-	-	-	17,616
Utilities	-	-	-	-	-	50,769
Other Services and Charges	-	-	-	-	-	133,564
Total Disbursements	<u>1,248,674</u>	<u>-</u>	<u>28,313</u>	<u>-</u>	<u>1,276,987</u>	<u>505,942</u>
Excess of Receipts Over (Under)						
Disbursements	<u>1,144,966</u>	<u>292,311</u>	<u>322,063</u>	<u>9</u>	<u>1,759,349</u>	<u>400,437</u>
OTHER CASH SOURCES (USES)						
Proceeds from Line of Credit	90,906	-	-	-	90,906	-
Loan Payment	98,542	-	-	-	98,542	-
Purchase of Capital Assets	(950,990)	(7,204)	(350,383)	(2,889)	(1,311,466)	(444,387)
Principal Paid on Long-term Debt	(203,064)	-	(8,511)	-	(211,575)	(51,122)
Interest Paid on Long-term Debt	(48,269)	-	(3,018)	(1,941)	(53,228)	(15,342)
Transfers In (Out) to Other Funds	<u>(213,223)</u>	<u>-</u>	<u>7,469</u>	<u>-</u>	<u>(205,754)</u>	<u>205,754</u>
Total Other Cash Sources and (Uses)	<u>(1,226,098)</u>	<u>(7,204)</u>	<u>(354,443)</u>	<u>(4,830)</u>	<u>(1,592,575)</u>	<u>(305,097)</u>
Excess (Deficiency) of Receipts						
and Other Cash Sources Over						
Disbursements and Other Cash Uses	<u>(81,132)</u>	<u>285,107</u>	<u>(32,380)</u>	<u>(4,821)</u>	<u>166,774</u>	<u>95,340</u>

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

TOWN OF PELAHATCHIE, MISSISSIPPI
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, 2018

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Exhibit 3

	<u>Governmental Activities</u>					<u>Business-Type</u>
	<u>Major Funds</u>					<u>Activities</u>
	<u>General</u>	<u>Police Seizure</u>	<u>Fire</u>	<u>Non-Major</u>		<u>Water/Sewer</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>	<u>Funds</u>
CASH BASIS FUND BALANCE-						
Beginning of Year	\$ 86,711	\$ 341,389	\$ 21,045	\$ 16,163	\$ 465,308	\$ 74,057
Prior Period Adjustment	10,769	12,019	22,000	4,827	49,615	(54,730)
CASH BASIS FUND BALANCE-						
As Restated	<u>97,480</u>	<u>353,408</u>	<u>43,045</u>	<u>20,990</u>	<u>514,923</u>	<u>19,327</u>
CASH BASIS FUND BALANCE-						
End of Year	<u>\$ 16,348</u>	<u>\$ 638,515</u>	<u>\$ 10,665</u>	<u>\$ 16,169</u>	<u>\$ 681,697</u>	<u>\$ 114,667</u>
CASH BASIS ASSETS-End of Year						
Cash and Cash Equivalents	\$ 11,453	\$ -	\$ -	\$ -	\$ 11,453	\$ 63,525
Restricted Cash	4,895	638,515	10,665	16,169	670,244	51,142
Total Cash Basis Assets	<u>\$ 16,348</u>	<u>\$ 638,515</u>	<u>\$ 10,665</u>	<u>\$ 16,169</u>	<u>\$ 681,697</u>	<u>\$ 114,667</u>
CASH BASIS FUND BALANCES-						
End of Year						
Restricted for Public Safety	\$ -	\$ 638,515	\$ 10,665	\$ -	\$ 649,180	\$ -
Restricted for Public Works	-	-	-	16,169	16,169	-
Restricted for Unemployment	4,895	-	-	-	4,895	-
Restricted for Meter Deposits	-	-	-	-	-	51,142
Unassigned	<u>11,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,453</u>	<u>63,525</u>
Total Cash Basis Fund Balances	<u>\$ 16,348</u>	<u>\$ 638,515</u>	<u>\$ 10,665</u>	<u>\$ 16,169</u>	<u>\$ 681,697</u>	<u>\$ 114,667</u>

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

TOWN OF PELAHATCHIE, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2018

NOTE 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 programs 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.

TOWN OF PELAHATCHIE, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation. – continued

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.

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, 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, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2018

NOTE 2 – PRIOR PERIOD ADJUSTMENT

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

Statement of Activities and Net Position – Cash Basis

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To adjust cash for corrections	\$ 49,615
Business-Type Activities:	
To adjust cash for corrections	\$ (54,730)
Total prior period adjustments	<u>\$ (5,115)</u>

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

<u>Explanation</u>	
General Fund:	
To adjust cash for corrections	\$ 10,769
Police Seizure Fund:	
To adjust cash for corrections	12,019
Fire Fund:	
To adjust cash for corrections	22,000
Non-Major Funds:	
To adjust cash for corrections	4,827
Water/Sewer Fund:	
To adjust cash for corrections	<u>(54,730)</u>
Total prior period adjustments	<u>\$ (5,115)</u>

TOWN OF PELAHATCHIE, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS

At year-end, the Town's carrying amount of deposits was \$796,364 and the bank balance was \$859,502. 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 Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits 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, 2018, none of the Town's bank balances of \$859,502 was exposed to custodial risk.

Interest Rate Risk: The Town does not have a formal investment policy that limits 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.

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description: The Town of Pelahatchie, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That 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 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 contribution to PERS for the years ended September 30, 2018, 2017, and 2016 were \$91,634, \$122,738 and \$99,685 respectively, which is equal to the required contributions for each year.

TOWN OF PELAHATCHIE, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2018

NOTE 5 - 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 promises to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promise 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 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, 2018.

NOTE 6 - SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of the Foundation evaluated the activity of the association through October 27, 2021, and determined that the following subsequent events required disclosure in the notes to the financial statements:

On November 5, 2018, the Board approved the purchase of property at 814 Second Street.

On December 3, 2018, the Board approved the purchase of a new fire truck in the amount of \$18,934.

On February 4, 2019, the Board approved a payment of \$36,731 for Waste Water Treatment.

On October 7, 2019, the Board approved \$100,000 tax anticipation loan payable.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

On March 2, 2020, the Board approved the request to ask for an extension on the Saferoom Grant Project.

On April 6, 2020, the Board accepted a receipt of funds for the reimbursement of Drug Seizure Funds from the Office of the State Auditor investigation in the amount of \$543,038.

On September 8, 2020, the Board approved close out of Saferoom Grant.

On October 23, 2020, the Board approved a Tax Anticipation Note Payable in the amount of \$100,000.

On February 1, 2021, the Board approved a payment for legal cost in the amount of \$14,744.

On April 14, 2021, the Board approved hiring a lawn care company in the amount of \$52,345.

SUPPLEMENTARY INFORMATION

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Federal Grantor/Pass-through Grantor/ or Cluster Program Title	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through Mississippi Development Authority			
Community Development Block Grant	14.228	1132-15-294-PF-01	\$ 548,985
Total U.S. Department of Housing and Urban Development			548,985
<u>U.S. Department of Homeland Security- Federal Emergency Management Agency</u>			
Passed-through the Mississippi Emergency Management Agency			
Hazard Mitigation Grant*	97.039	HMGP-1604-0513	875,747
Assistance to Firefighters Grant	97.044	N/A	310,369
Total U.S. Department of Homeland Security			1,186,116
Total Expenditures of Federal Awards			\$ 1,735,101

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) The accompany Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

(3) Indirect Cost Rate

The Town did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

*Denotes major federal award program.

TOWN OF PELAHATCHIE, MISSISSIPPI
Schedule of Changes in Debt-UNAUDITED
For the Year Ended September 30, 2018

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2018</u>
Bond Issues:				
2010 General Obligation Bond issue	\$ 705,000	\$ -	\$ (40,000)	\$ 665,000
Total General Obligation Bonds	<u>705,000</u>	<u>-</u>	<u>(40,000)</u>	<u>665,000</u>
Other Long-term Debt:				
State of Mississippi-Cap Loan	112,520	-	(11,760)	100,760
State of Mississippi-Cap Loan	189,254	-	(16,757)	172,497
State of Mississippi-Cap Loan				
Sewer improvements	690,608	-	(28,434)	662,174
State of Mississippi-Cap Loan				
Multicraft	547,844	-	(24,071)	523,773
Caterpillar Financial Services	49,760	-	(6,766)	42,994
Trustmark Bank loan	8,922	-	(8,922)	-
PriorityOne loan	33,332	-	(33,332)	-
PriorityOne loan	23,365	-	(1,749)	21,616
Total Other Long-term Debt	<u>1,655,605</u>	<u>-</u>	<u>(131,791)</u>	<u>1,523,814</u>
Total Long-term Debt	<u>\$ 2,360,605</u>	<u>\$ -</u>	<u>\$ (171,791)</u>	<u>\$ 2,188,814</u>
Tax Anticipation Note	<u>\$ -</u>	<u>\$ 90,906</u>	<u>\$ (90,906)</u>	<u>\$ -</u>

TOWN OF PELAHATCHIE, MISSISSIPPI
Schedule of Investments-All Funds-UNAUDITED
September 30, 2018

	<u>Balance</u>
Special Revenue Fund	
.50% Certificate of Deposit, dated September 2, 2018, due 365 days after date	\$ 52,386
Total Special Revenue Fund Investments	<u>52,386</u>
Enterprise Fund	
.50% Certificate of Deposit, dated November 13, 2017, due 365 days after date	24,226
.50% Certificate of Deposit, dated March 28, 2018, due 365 days after date	<u>5,674</u>
Total Enterprise Fund Investments	<u>29,900</u>
Employment Security Fund	
.50% Certificate of Deposit, dated September 28, 2018, due 365 days after date	<u>4,895</u>
Total Employment Security Fund Investments	<u>4,895</u>
 Total All Funds	 <u><u>\$ 87,181</u></u>

TOWN OF PELAHATCHIE, MISSISSIPPI
Schedule of Capital Assets-UNAUDITED
For the Fiscal Year Ended September 30, 2018

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets:				
Land	\$ 337,148	\$ -	\$ -	\$ 337,148
Construction in progress	566,885	-	-	566,885
Building and improvements other than buildings	4,873,777	950,990	-	5,824,767
Machinery and equipment	1,238,423	360,476	-	1,598,899
Total Governmental Activities				
Capital Assets	<u>\$ 7,016,233</u>	<u>\$ 1,311,466</u>	<u>\$ -</u>	<u>\$ 8,327,699</u>
 Business-type Activities				
Capital Assets:				
Land	\$ 26,318	\$ -	\$ -	\$ 26,318
Construction in progress	180,012	-	-	180,012
Machinery and equipment	325,045	-	-	325,045
Water/Sewer infrastructure	4,941,915	-	-	4,941,915
Water/Sewer improvements	9,109	444,387	-	453,496
Total Business-type Activities				
Capital Assets	<u>\$ 5,482,399</u>	<u>\$ 444,387</u>	<u>\$ -</u>	<u>\$ 5,926,786</u>

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the Board of Aldermen
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, 2018, and 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 27, 2021.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-009, 2018-010, 2018-011, 2018-012 and 2018-013 to be material weaknesses.

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*.

We noted certain matters that we reported to management of the Town of Pelahatchie, Mississippi in the Independent Auditors' Report on Compliance with State Laws and Regulations dated October 27, 2021, included within this document.

Town of Pelahatchie's Responses to Findings and Questioned Costs

Town of Pelahatchie, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Auditee's Corrective Action Plan, 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 them.

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.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
October 27, 2021

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. Box 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

145 Republic Street • Suite 211 • Madison, Mississippi 39110

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

We have audited the compliance of Town of Pelahatchie with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. The Town's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the Town's compliance for each major federal program based on our audit of the type of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 the Town'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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Town's compliance.

Opinion on the Major Federal Program

In our opinion, Town of Pelahatchie complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

The management of the Town of Pelahatchie is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be a material weakness.

The Town of Pelahatchie, Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The Town of Pelahatchie, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
October 27, 2021

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INDEPENDENT AUDITORS' 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 basic financial statements of the Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2018, and have issued our report dated October 27, 2021. We have 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*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general-purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. The Town was not in compliance with Section 25-1-87, Miss. Code Ann. (1972), which requires all municipal vehicles to be marked with permanent decals or designs that are at least twelve inches in width and height or painted with three-inch letters on each side and one and one-half inch on rear of each vehicle.
2. The Town could not produce documentation for surety bonds for the fiscal year ended September 30, 2018 as required by Sections 21-15-38, 21-15-23, 21-21-1, 21-3-5, 21-8-23, 21-9-21, and 21-17-5, Miss. Code Ann. (1972).
3. The Town did not advertise for depositories for a two-year term for the fiscal year ended September 30, 2018 as required by Section 27-105-1 Miss. Code Am. (1972).
4. The Town was not in compliance with Section 21-33-47 Miss. Code Am. (1972), which requires publication of the tax levy.

5. The Town was not in compliance with Section 31-7-13, Miss. Code Am. (1972), which requires purchases from \$5,000 to \$50,000 to have two written quotes. The Town was also not in compliance with purchasing laws because of the absence of documentation for twenty-six expenditures.

The Office of the 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 of the Town's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
October 27, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:

Governmental Activities	Adverse
Business-Type Activities	Unmodified
General Fund	Adverse
Police Seizure Fund	Unmodified
Fire Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal Control over financial reporting: Aggregate Remaining Fund Information

a. Material weakness identified?	Yes
b. Significant deficiencies identified that are not considered to be a material weakness?	None Reported

3. Noncompliance material to the primary governmental financial statements? No

Federal Awards:

Internal Control over major programs:

Material Weakness identified	Yes
Significant Deficiency identified not considered to be material weakness	No
Type of Auditors' Report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	U.S. Department of Homeland Security Federal Emergency Management Agency- Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	No
Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?	No

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-002. Reconciliation of Interfund Transactions

Material Weakness – Significant Deficiency

Finding

As reported in the prior year, 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. For the current year, there was no such documentation or reconciliation provided.

Repeat Finding: Yes. 2017-001

Criteria: The Town should establish internal control procedures to properly approve and account for transfers.

Condition: The Town did not properly account for transfers.

Cause: The Town did not have adequate internal control procedures in place for transfers.

Effect: Transfers were misposted in the general ledger.

Recommendation: The Town Clerk should keep records of interfund transactions that would allow easy identification of the amounts and funds involved. Those transactions should be reconciled between funds monthly.

View of Responsible Officials: The Town will comply with the recommendation in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-003. Finding

Significant Deficiency – Material Weakness

The Town did not have documentation of 941 forms filed with the Internal Revenue Service for all four quarters of the fiscal year.

Repeat Finding: No

Criteria: The Town should establish procedures to ensure that payroll documents are maintained.

Condition: The Town could not provide proof of filing required payroll forms with the Internal Revenue Service.

Cause: The Town had inadequate internal controls for the payroll reports process.

Effect: The Town is not in compliance with record keeping requirements for payroll and is unable to prove compliance with federal payroll requirements.

Recommendation: The Town should keep copies of all payroll reports filed.

View of Responsible Officials: The Board will comply in the future.

2018-004. Finding

Significant Deficiency – Material Weakness

The Town did not have documentation for twenty-six expenditures. Expenditures also did not have written approval by department heads.

Repeat Finding: No

Criteria: The Town should establish procedures to ensure that expenditures are properly approved by department heads, and invoices are maintained for all expenditures and sequentially numbered claims are utilized.

Condition: Expenditures were paid without proper documentation retained.

Cause: The Town did not have adequate internal control procedures in place to require written approval at the department head level, to require sequentially numbered claims, and to maintain proper invoice documentation for expenditures incurred.

Effect: The Town paid unauthorized expenditures without proper documentation.

Recommendation: Expenditures should be properly authorized by department heads and appropriate documentation maintained to support expenditures.

View of Responsible Officials: The Town will comply in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-005. Finding

Significant Deficiency – Material Weakness

The Town hired employees without Board approval and payroll files for some employees did not contain completed I-9 forms, PERS retirement forms, picture identification, pay rates, or federal and state withholding forms.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure that all employees are approved by the Board and that all payroll files contain appropriate documentation.

Condition: The Town hired employees without Board approval, and payroll files lack proper documentation.

Cause: The Town did not have proper internal control procedures for payroll.

Effect: The Town could not provide payroll file documentation for some employees, and the Board did not approve hiring of employees.

Recommendation: The Town should implement proper internal control procedures over payroll.

View of Responsible Officials: The Town will comply in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-006. Finding

Significant Deficiency – Material Weakness

The bank accounts were not reconciled on a timely basis.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure that bank accounts are reconciled and agreed to the general ledger balances on a monthly basis, and that there are no deficit cash account balances.

Condition: Reconciled cash balances did not agree to the general ledger and one general fund cash account had a deficit balance.

Cause: The bank accounts were not timely reconciled and prior year audit entries were not made to cash accounts.

Effect: The Town's cash on the general ledger did not agree to the reconciled cash reports. There is also a deficit balance in one general fund cash account.

Recommendation: The Town should implement internal control procedures to ensure that all bank accounts are reconciled to the general ledger on a monthly basis, and that no accounts have deficit balances.

View of Responsible Officials: The Town will comply in the future.

2018-007. Finding

Significant Deficiency – Material Weakness

The Board does not monitor the ageing of police fines receivable on a monthly basis.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to monitor the ageing of police fines on a monthly basis.

Condition: The ageing report on police fines is not monitored on a monthly basis.

Cause: The Town does not have internal control procedures in place to monitor the ageing of police fines.

Effect: The Town could have police fines receivable that are collectible, but have not been collected on a timely basis.

Recommendation: The Board should receive a monthly ageing of police fines receivable in addition to the amount collected for the month.

View of Responsible Officials: The Town will comply in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-008. Finding

Significant Deficiency – Material Weakness

The Town did not have copies of any loan agreements or amortization schedules for outstanding debt obligations. As a result, some of the debt issuance payments were not made timely.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure that copies of all debt agreements and amortization schedules are maintained.

Condition: The Town had no copies of loan agreements or corresponding amortization schedules.

Cause: The Town did not have internal control procedures in place to keep debt agreement documentation.

Effect: The auditors had to obtain debt schedules from the prior auditor and the lenders to verify debt payments made. One issuance had five late payments and four issuances had one late payment.

Recommendation: The Town needs to establish internal control procedures to keep permanent debt issuance files with loan agreements and amortization schedules.

View of Responsible Officials: The Town will comply in the future.

2018-009. Finding

Significant Deficiency – Material Weakness

The Town paid debt payments from incorrect funds. The Fire Fund paid two of the sewer cap loan payments, one of the Multi-craft cap loan payments, and one of the RCSD cap loan payments.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure that debt payments are made from the correct funds.

Condition: Debt payments were incorrectly made from the Fire Fund.

Cause: Internal control procedures were not in place to ensure debt payments were made from correct funds.

Effect: Expenditures were overstated for the Fire Fund and understated for the General and Water/Sewer Funds.

Recommendation: The Town should establish proper internal control procedures for debt payments.

View of Responsible Officials: The Town will comply in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-010. Finding

Significant Deficiency – Material Weakness

The Town was late on insurance payments, invoice payments, and payroll payments.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure timely payment of all expenditures.

Condition: The expenditures were paid late.

Cause: The Town did not have proper internal controls in place to ensure timely payments of expenditures.

Effect: The Town did not timely pay payroll expenses, which is a violation of federal law. The late payment of other expenditures could result in a loss of coverage and services.

Recommendation: The Town should establish internal control procedures to ensure timely payment of expenditures and proper cash management.

View of Responsible Officials: The Town will consider the recommendation in the future.

2018-011. Finding

Significant Deficiency – Material Weakness

The Town has not had a complete physical fixed asset inventory since fiscal year 2016.

Repeat Finding: No

Criteria: The Town should establish procedures to perform a complete fixed asset inventory listing.

Condition: The Town does not have a complete listing of all fixed asset inventory.

Cause: The Town has not had internal control procedures in place to capture data for a complete physical fixed asset inventory listing.

Effect: There is a possibility of misappropriation of assets due to the fact that no listing is maintained.

Recommendation: The Town should perform a physical asset inventory.

View of Responsible Officials: The Town will consider the recommendation in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 2: Financial Statement Findings

2018-012. Finding

Significant Deficiency – Material Weakness

Transfers were not made from the Water/Sewer Fund for all garbage fees.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to ensure that all garbage fees are transferred from the water/sewer fund to the general fund on a monthly basis.

Condition: All garbage fees were not transferred to the general fund from the water/sewer fund.

Cause: The Town did not have proper internal controls in place to ensure the transfer of garbage fees.

Effect: Water/Sewer Fund Revenue was overstated and General Fund Revenue was understated.

Recommendation: Transfers should be made monthly for garbage fees from water/sewer fund to general fund.

View of Responsible Officials: The Town will comply in the future.

2018-013. Finding

Significant Deficiency – Material Weakness

The Town did not correctly record revenues or expenditures for grants. All revenue and expenditure transactions were recorded in transfer accounts. The Town did not have proper internal controls in place to prepare the Schedule of Expenditures of Federal Awards.

Repeat Finding: No

Criteria: The Town should establish internal controls to ensure that proper general ledger records are maintained and that the Schedule of Expenditures of Federal Awards is prepared.

Condition: The revenues and expenditures for all grants were misposted in the general ledger and the Town did not prepare the Schedule of Expenditures of Federal Awards.

Cause: The Town lacked internal controls over general ledger recordkeeping and preparation of the Schedule of Expenditures of Federal Awards.

Effect: The auditors had to make numerous journal entries to correctly classify grant revenues and expenditures.

Recommendation: The Town should implement internal controls and hire additional accounting staff to ensure proper recordkeeping of revenues and expenditures and preparation of Schedule of Expenditures of Federal Awards.

View of Responsible Officials: The Town will consider the recommendation in the future.

**TOWN OF PELAHATCHIE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 3: Federal Award Findings and Questioned Costs

2018-001. Finding

Material Weakness

The Town did not maintain copies of grant reports filed for the Federal Assistance Listing Number 97.039.

Repeat Finding: No

Criteria: The Town should establish internal control procedures to require maintaining a copy of all grant reports filed with the awarding agency.

Condition: The Town could not provide proof of grant reports filed.

Cause: The Town had inadequate internal control procedures for maintaining copies of grant reports filed.

Effect: The Town is not in compliance with requirements for Federal Assistance Listing Number 97.039.

Recommendation: The Town should maintain copies of grant reports.

View of Responsible Officials: The Town will comply with the recommendation in the future.

Pelahatchie
The Place To Prosper

Town of Pelahatchie
Incorporated 1904
Mayor Karl Van Horn

Administration:
Barbara L. Harper-Interim Clerk
Robert Mahaffey-Chief of Police
Brad Harrell-Public Works
Karl VanHorn-Zoning Commissioner

(601) 854-5224

Board of Aldermen
Diane Hill
Sandra Harvey
Margie Warren
James Ray Harrell
Edward Jones

(601) 854-5266

Town of Pelahatchie
Summary Schedule of Prior Audit Finding
Year Ended September 30, 2018

Financial Statement Finding: As reported in the prior year, 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. For the current year, there was no such documentation or reconciliation provided.

Finding: 2017-001. Reconciliation of Interfund Transactions

Condition: The Town did not properly account for transfers.

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

Current Status: We will take steps to strengthen our internal control procedures over transfers.

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Corrective Action Plan

October 27, 2021

The Town of Pelahatchie respectively submits the following corrective action plan for the year ended September 30, 2018.

Name and address of independent public accounting firm:

Herzog CPA Company, PLLC
P.O. Box 17986
Hattiesburg, MS 39404

Audit Period: Year ended September 30, 2018

The Findings from the September 30, 2018, Schedule of Findings and Questioned Coasts are discussed below. The Findings are numbered consistently with the numbers assigned in the schedule.

2018-001. Finding – Federal Award Finding

Significant Deficiency-Material Weakness

The Town did not maintain copies of the grant reports filed for the Federal Assistance Listing Number 97.039.

Recommendation: The Town should maintain copies of grant reports.

Action Taken: The Town will comply with the recommendation in the future.

2018-002. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

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. 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.

Action Taken: The Town will comply with the recommendation in the future.

2018-003. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town did not have documentation of 941 forms filed with the Internal Revenue Service for all four quarters of the fiscal year.

Recommendation: The Town should keep copies of all payroll reports filed.

Action Taken: The Town will comply with the recommendation in the future.

2018-004. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town did not have documentation for twenty-six expenditures. Expenditures also did not have written approval by department heads.

Recommendation: Expenditures should be properly authorized by department heads and appropriate documentation maintained to support expenditures.

Action Taken: The Town will comply with the recommendation in the future.

2018-005. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town hired employees without Board approval and payroll files for some employees did not contain completed I-9 forms, PERS retirement forms, picture identification, pay rates, or federal and state withholding forms.

Recommendation: The Town should implement proper internal control procedures over payroll.

Action Taken: The Town will comply with the recommendation in the future.

2018-006. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The bank accounts were not reconciled on a timely basis.

Recommendation: The Town should implement internal controls procedures to ensure that all bank accounts are reconciled to the general ledger on a monthly basis.

Action Taken: The Town will comply with the recommendation in the future.

2018-007. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Board does not monitor the ageing of police fines receivable on a monthly basis.

Recommendation: The Board should receive a monthly ageing of police fines receivable in addition to the amount collected for the month.

Action Taken: The Town will comply with the recommendation in the future.

2018-008. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town did not have copies of any loan agreements or amortization schedules for outstanding debt obligations. As a result, some of the debt issuance payments were not made timely.

Recommendation: The Town needs to establish internal control procedures to keep permanent debt issuance files with loan agreements and amortization schedules.

Action Taken: The Town will comply with the recommendation in the future.

2018-009. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town paid debt payments from incorrect funds. The Fire Fund paid two of the sewer cap loan payments, one of the Multi-craft cap loan payments, and one of the RCSD cap loan payments.

Recommendation: The Town should establish proper control procedures for debt payments.

Action Taken: The Town will comply with the recommendation in the future.

2018-010. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town was late on insurance payments, invoice payments, and payroll payments.

Recommendation: The Town should establish internal control procedures to ensure timely payment of expenditures and proper cash management.

Action Taken: The Town will comply with the recommendation in the future.

2018-011. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town has not had a complete physical fixed asset inventory since fiscal year 2016.

Recommendation: The Town should perform a physical asset inventory.

Action Taken: The Town will comply with the recommendation in the future.

2018-012. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

Transfers were not made from the Water/Sewer Fund for all garbage fees.

Recommendation: Transfers should be made monthly for garbage fees from water/sewer fund to general fund.

Action Taken: The Town will comply with the recommendation in the future.

2018-013. Finding – Financial Statement Finding

Significant Deficiency – Material Weakness

The Town did not correctly record revenues or expenditures for grants. All revenue and expenditure transactions were recorded in transfer accounts. The Town did not have proper internal controls in place to prepare the Schedule of Expenditures of Federal Awards.

Recommendation: The Town should implement internal controls and hire additional accounting staff to ensure proper recordkeeping of revenues and expenditures.

Action Taken: The Town will comply with the recommendation in the future.

If there are any questions regarding this plan, please call Karl VanHorn, Mayor at 601-854-5224.

Sincerely,

Karl VanHorn
Mayor