

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*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**  
**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

# **TOWN OF PELAHATCHIE**

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**TOWN OF PELAHATCHIE**

**FINANCIAL SECTION**

# Windham and Lacey, PLLC

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### **INDEPENDENT AUDITORS' 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, 2019, 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. 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 auditors consider internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie as of September 30, 2019, 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*

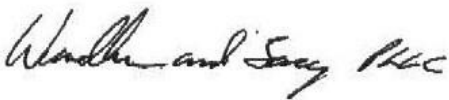
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards 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 Changes in Long-term Debt, the Schedule of Investments - All Funds, the Schedule of Capital Assets and the Schedule of Surety Bonds for Municipal Officials and Employees 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.

## **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 25, 2022

**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, 2019**

		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	\$	437,891	17,896	4,451		(415,544)	(415,544)	
Public safety		549,222	265,503	280	20,245	(263,194)	(263,194)	
Public works		424,391				(424,391)	(424,391)	
Culture and recreation		201				(201)	(201)	
Economic development					76,415	76,415	76,415	
Interest on long-term debt		43,480				(43,480)	(43,480)	
Total Governmental Activities		1,455,185	283,399	4,731	96,660	(1,070,395)	0	(1,070,395)
Business-type Activities:								
Water/Sewer		784,127	675,862				(108,265)	(108,265)
Total Business-type Activities		784,127	675,862	0	0	0	(108,265)	(108,265)
Total Government	\$	2,239,312	959,261	4,731	96,660	(1,070,395)	(108,265)	(1,178,660)
General Receipts								
Taxes:								
Property taxes						\$ 417,659		417,659
Road & bridge privilege taxes						56,667		56,667
Sales tax						371,437		371,437
Franchise taxes						43,051		43,051
Grants and contributions not restricted to specific programs						178,242		178,242
Unrestricted investment income						916	199	1,115
Miscellaneous						399,935	39	399,974
Transfers						(220,094)	220,094	
Total General Receipts						1,247,813	220,332	1,468,145
Change in Net Position								
Net Position - Beginning						177,418	112,067	289,485
						681,697	114,667	796,364
Net Position - Ending	\$					859,115	226,734	1,085,849

**(Continued)**

**TOWN OF PELAHATCHIE**  
**Statement of Activities and Net Position - Cash Basis**  
**As of and for the Year Ended September 30, 2019**

**ASSETS**

Cash and cash equivalents	\$	354,946
Restricted cash		<u>730,903</u>
Total Assets	\$	<u><u>1,085,849</u></u>

**NET POSITION**

Restricted:		
Restricted for unemployment compensation	\$	4,919
Restricted for public safety		685,466
Restricted for culture and recreation		16,171
Restricted for meter deposits		24,347
Unrestricted		<u>354,946</u>
Total Net Position	\$	<u><u>1,085,849</u></u>

The accompanying 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, 2019**

	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Police Seizure Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>	<u>Water/Sewer Funds</u>
<b>RECEIPTS</b>					
Ad valorem taxes	\$ 417,659			417,659	
Road and bridge tax	56,667			56,667	
License and permits	17,896			17,896	
Franchise taxes on utilities	43,051			43,051	
Grand Gulf payments in lieu of tax	27,049			27,049	
Intergovernmental revenues:					
Federal revenues:					
Grants	150,528			150,528	
State shared revenues:					
Sales taxes	371,437			371,437	
Grants	76,695			76,695	
General municipal aid	665			665	
Local shared revenues:					
Forfeiture revenues	4,451		20,245	24,696	
Charges for services:					
Garbage	104,178			104,178	
Water and sewer utility					649,206
Fines and forfeits	112,717	48,608		161,325	
Interest income	353	548	15	916	199
Miscellaneous revenue	390,343	6,494	3,098	399,935	26,695
Total Receipts	<u>1,773,689</u>	<u>55,650</u>	<u>23,358</u>	<u>1,852,697</u>	<u>676,100</u>

**(Continued)**

**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, 2019**

	<b>Governmental Activities</b>				<b>Business-type Activities</b>
	<b>Major Funds</b>				
	<b>General Fund</b>	<b>Police Seizure Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	<b>Water/Sewer Funds</b>
<b>DISBURSEMENTS</b>					
General government	403,654			403,654	
Public safety	503,036	27,368	11,935	542,339	
Public works	372,883			372,883	
Culture and recreation			201	201	
Water and sewer utility:					
Personal services					231,341
Supplies					35,343
Utilities					40,471
Other services and charges					186,575
Total Disbursements	<u>1,279,573</u>	<u>27,368</u>	<u>12,136</u>	<u>1,319,077</u>	<u>493,730</u>
Excess of Receipts Over (Under) Disbursements	<u>494,116</u>	<u>28,282</u>	<u>11,222</u>	<u>533,620</u>	<u>182,370</u>
<b>OTHER CASH SOURCES (USES)</b>					
Purchase of capital assets	(10,960)		(655)	(11,615)	(234,802)
Principal paid on long-term debt	(81,013)			(81,013)	(43,572)
Interest paid on long-term debt	(43,480)			(43,480)	(12,023)
Transfers in (out) to other funds	<u>(217,533)</u>		<u>(2,561)</u>	<u>(220,094)</u>	<u>220,094</u>
Total Other Cash Sources and (Uses)	<u>(352,986)</u>	<u>0</u>	<u>(3,216)</u>	<u>(356,202)</u>	<u>(70,303)</u>

**(Continued)**

**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, 2019**

	<b>Governmental Activities</b>				<b>Business-type Activities</b>
	<b>Major Funds</b>				
	<b>General Fund</b>	<b>Police Seizure Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>	<b>Water/Sewer Funds</b>
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	141,130	28,282	8,006	177,418	112,067
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	<u>16,348</u>	<u>638,515</u>	<u>26,834</u>	<u>681,697</u>	<u>114,667</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u><u>\$ 157,478</u></u>	<u><u>666,797</u></u>	<u><u>34,840</u></u>	<u><u>859,115</u></u>	<u><u>226,734</u></u>
<b>CASH BASIS ASSETS - End of Year</b>					
Cash and cash equivalents	\$ 152,559			152,559	202,387
Restricted cash	<u>4,919</u>	<u>666,797</u>	<u>34,840</u>	<u>706,556</u>	<u>24,347</u>
Total Cash Basis Assets	<u><u>\$ 157,478</u></u>	<u><u>666,797</u></u>	<u><u>34,840</u></u>	<u><u>859,115</u></u>	<u><u>226,734</u></u>
<b>CASH BASIS FUND BALANCES - End of Year</b>					
Restricted for public safety	\$	666,797	18,669	685,466	
Restricted for culture and recreation			16,171	16,171	
Restricted for unemployment	4,919			4,919	
Restricted for meter deposits					24,347
Unassigned	<u>152,559</u>			<u>152,559</u>	<u>202,387</u>
Total Cash Basis Fund Balances	<u><u>\$ 157,478</u></u>	<u><u>666,797</u></u>	<u><u>34,840</u></u>	<u><u>859,115</u></u>	<u><u>226,734</u></u>

The accompanying 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, 2019

(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.

## TOWN OF PELAHATCHIE

### Notes to Financial Statements For the Year Ended September 30, 2019

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 \$1,085,849 and the bank balance was \$1,184,472. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

## **TOWN OF PELAHATCHIE**

### **Notes to Financial Statements For the Year Ended September 30, 2019**

**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 behalf of the Town. As of September 30, 2019, the amount of the Town's bank balance of \$1,184,472 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 prior rate is 15.75% and the current rate as of June 2019 is 17.40% 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, 2019, 2018 and 2017 were \$74,762, \$91,634 and \$122,738, respectively, which is equal to the required contributions for each year.

**TOWN OF PELAHATCHIE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PELAHATCHIE**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**General Fund - UNAUDITED**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Ad valorem taxes	\$ 454,011	454,011	417,659	(36,352)
Road and bridge tax	52,000	52,000	56,667	4,667
Charges for services	103,000	103,000	104,178	1,178
License and permits	16,000	16,000	17,896	1,896
Franchise taxes	40,000	40,000	43,051	3,051
Intergovernmental receipts	390,000	390,000	603,776	213,776
In lieu of taxes	27,000	27,000	27,049	49
Fines and forfeits	145,000	145,000	112,717	(32,283)
Miscellaneous	1,128,100	1,128,100	390,696	(737,404)
Total Receipts	<u>2,355,111</u>	<u>2,355,111</u>	<u>1,773,689</u>	<u>(581,422)</u>
<b>EXPENDITURES</b>				
General government	362,132	362,132	403,654	(41,522)
Public safety	765,149	765,149	503,036	262,113
Public works	328,625	328,625	372,883	(44,258)
Principal			81,013	(81,013)
Interest			43,480	(43,480)
Total Expenditures	<u>1,455,906</u>	<u>1,455,906</u>	<u>1,404,066</u>	<u>51,840</u>
Excess of Receipts Over (Under) Expenditures	<u>899,205</u>	<u>899,205</u>	<u>369,623</u>	<u>(529,582)</u>
<b>OTHER CASH SOURCES (USES)</b>				
Reimbursement for debt repayment	44,204	44,204		(44,204)
Capital expenditure			(10,960)	(10,960)
Interfund loans				
Transfers	15,000	15,000	(217,533)	(232,533)
Total Other Cash Sources and Uses	<u>59,204</u>	<u>59,204</u>	<u>(228,493)</u>	<u>(287,697)</u>
Net Change in Cash Basis Fund Balance	958,409	958,409	141,130	(817,279)
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>16,348</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 958,409</u>	<u>958,409</u>	<u>157,478</u>	<u>(817,279)</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 - UNAUDITED**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>RECEIPTS</b>				
Fines and forfeits	\$		48,608	48,608
Interest			548	548
Miscellaneous			6,494	6,494
Total Receipts	<u>0</u>	<u>0</u>	<u>55,650</u>	<u>55,650</u>
<b>EXPENDITURES</b>				
Public safety			27,368	(27,368)
Total Expenditures	<u>0</u>	<u>0</u>	<u>27,368</u>	<u>(27,368)</u>
Excess of Receipts Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>28,282</u>	<u>28,282</u>
Net Change in Cash Basis Fund Balance	0	0	28,282	28,282
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>638,515</u>	<u>0</u>
Cash Basis Fund Balances - Ending	\$ <u>0</u>	\$ <u>0</u>	<u>666,797</u>	<u>28,282</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

## **TOWN OF PELAHATCHIE**

### **Notes to the Required Supplementary Information For the Year Ended September 30, 2019 UNAUDITED**

**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, 2019**

<b>Description</b>	<b>Outstanding Balance Sept. 30, 2018</b>	<b>Redeemed</b>	<b>Outstanding Balance Sept. 30, 2019</b>
Bond Issues:			
2010 general obligation bond issue	\$ 665,000	45,000	620,000
Total General Obligation Bonds	<u>665,000</u>	<u>45,000</u>	<u>620,000</u>
Other Long-term Debt:			
State of Mississippi - CAP loan	100,760	9,765	90,995
State of Mississippi - CAP loan	172,497	13,947	158,550
State of Mississippi - CAP loan - sewer improvements	662,174	23,769	638,405
State of Mississippi - CAP loan - Multicraft	523,773	20,290	503,483
Caterpillar Financial Services	42,994	10,038	32,956
PriorityOne loan	<u>21,616</u>	<u>1,776</u>	<u>19,840</u>
Total Other Long-term Debt	<u>1,523,814</u>	<u>79,585</u>	<u>1,444,229</u>
Total Long-term Debt	<u>\$ 2,188,814</u>	<u>124,585</u>	<u>2,064,229</u>

**TOWN OF PELAHATCHIE**  
**Schedule of Investments - All Funds - UNAUDITED**  
**September 30, 2019**

	<u><b>Balance</b></u>
Special Revenue Fund:	
.40% Certificate of Deposit, dated September 2, 2019, due 365 days after date	\$ <u>52,647</u>
Total Special Revenue Fund Investments	<u>52,647</u>
Enterprise Fund:	
.35% Certificate of Deposit, dated November 13, 2018, due 365 days after date	24,347
.35% Certificate of Deposit, dated March 28, 2019, due 365 days after date	<u>5,703</u>
Total Enterprise Fund Investments	<u>30,050</u>
Employment Security Fund:	
.40% Certificate of Deposit, dated August 27, 2018, due 365 days after date	<u>4,919</u>
Total Employment Security Fund Investments	<u>4,919</u>
Total All Funds	\$ <u><u>87,616</u></u>

**TOWN OF PELAHATCHIE**  
**Schedule of Capital Assets - UNAUDITED**  
**For the Fiscal Year Ended September 30, 2019**

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Ending Balance</u></b>
Governmental Activities			
Capital Assets:			
Land	\$ 337,148		337,148
Construction in progress	566,885	4,732	571,617
Buildings and improvements other than buildings	5,824,767		5,824,767
Machinery and equipment	<u>1,598,899</u>	<u>6,883</u>	<u>1,605,782</u>
Total Governmental Activities Capital Assets	<u>\$ 8,327,699</u>	<u>11,615</u>	<u>8,339,314</u>
Business-type Activities			
Capital Assets:			
Land	\$ 26,318		26,318
Construction in progress	180,012	224,500	404,512
Machinery and equipment	325,045	10,302	335,347
Water/Sewer infrastructure	4,941,915		4,941,915
Water/Sewer improvements	<u>453,496</u>		<u>453,496</u>
Total Business-type Activities Capital Assets	<u>\$ 5,926,786</u>	<u>234,802</u>	<u>6,161,588</u>

**TOWN OF PELAHATCHIE**  
**Schedule of Surety Bonds for Municipal Officials and Employees - UNAUDITED**  
**September 30, 2019**

<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	Alderwoman	MS Municipal Bond Program	\$ 50,000
Ryshonda Beechem	Mayor	MS Municipal Bond Program	\$ 50,000
Angela Garner	Town Clerk	Western Surety	\$ 50,000
Barbara Harper	Deputy Clerk	Western Surety	\$ 50,000
Ruby Burns	Human Resources Director	Western Surety	\$ 50,000
Joseph Daughtry	Police Chief	Western Surety	\$ 50,000
Karl Vanhorn	Police Captain	Western Surety	\$ 50,000
Open	Court Clerk	Western Surety	\$ 50,000
Maranga Parker	Police Dispatcher	Western Surety	\$ 50,000
Brianna Williams	Police Dispatcher	Western Surety	\$ 50,000
Whitney Vanhorn	Police Dispatcher	Western Surety	\$ 50,000

**TOWN OF PELAHATCHIE**

**SPECIAL REPORT**

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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Mississippi Society of CPAs

### **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 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, 2019, and have issued our report thereon dated October 25, 2022. 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 the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

#### **1. Finding**

##### ***Annual Audit***

*Section 21-35-31, Miss. Code Ann. (1972)* states, "The governing authority of every municipality in the state shall have the municipal books audited annually, before the close of the next succeeding fiscal year, in accordance with procedures and reporting requirements prescribed by the State Auditor." The Town did not comply with this requirement.

##### **Recommendation**

We recommend the Town of Pelahatchie complete the annual audit report in a timely manner.

##### **Town's Response**

We are aware of this issue and have taken steps to have the annual audit completed.

2. Finding

*Municipal Depositories*

*Section 21-105-353 and Section 27-105-363, Miss. Code Ann. (1972)*, require the municipality to advertise for municipal depositories every two years. We could find no evidence that the Town complied with these requirements.

Recommendation

We recommend the Town of Pelahatchie advertise for municipal depositories.

Town's Response

We are aware of this issue and have taken steps to correct.

3. Finding

*Tax Levy*

*Section 21-33-47, Miss. Code Ann. (1972)*, requires the municipality to publish the tax levy. We could find no evidence that the Town complied with this requirement.

Recommendation

We recommend the Town of Pelahatchie publish the tax levy.

Town's Response

We are aware of this issue and have taken steps to correct.

4. Finding

*Purchasing Laws*

*Section 31-7-13, Miss. Code Ann. (1972)*, requires purchases from \$5,000.00 to \$50,000.00 to have two written quotes. The Town was not in compliance with this requirement.

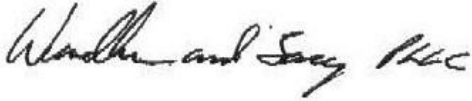
Recommendation

We recommend the Town of Pelahatchie obtain two written quotes for purchases over \$5,000.00.

Town's Response

We are aware of this issue and have taken steps to correct.

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.

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

Windham and Lacey, PLLC  
October 25, 2022

**TOWN OF PELAHATCHIE**

**SCHEDULE OF FINDINGS AND RESPONSES**

**TOWN OF PELAHTACHIE**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2019**

**Section 1: Summary of Auditors' Results**

***Financial Statements:***

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditors' report issued on the primary government financial statements:        | Unmodified    |
| 2. | Internal control over financial reporting:   |               |
| a. | Material weaknesses 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**

***Significant Deficiency – Material Weakness***

***2019-001. Reconciliation of Interfund Transactions***

Repeat Finding: Yes; 2018-002

**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. 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**

The Board of Aldermen will comply with the recommendations made in this finding.

**TOWN OF PELAHTACHIE**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2019**

**2019-002. *Accountability of Cash***

Repeat Finding: Yes; 2018-006

Finding

Internal controls over cash were found to be deficient because bank accounts were not reconciled in a timely manner.

This procedure is a basic internal control procedure that is necessary so that misappropriation of cash will be prevented, or detected and corrected on a timely basis.

Recommendation

The Board of Aldermen should institute procedures to ensure that the internal control noted above will be applied. This can be accomplished by having bank reconciliations prepared by the City Clerk's office, monthly.

Response

The Board of Aldermen will comply with the recommendations made in this finding.

**2019-003. *Physical Fixed Asset Inventory***

Repeat Finding: Yes; 2018-011

Finding

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

Recommendation

The Town should perform a physical asset inventory.

Response

The Town will consider the recommendation in the future.

**TOWN OF PELAHATCHIE**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**TOWN OF PELAHTACHIE**  
**Summary of Prior Year Findings**  
**For the Year Ended September 30, 2019**

***2018-002. Reconciliation of Interfund Transactions.***

Condition: 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.

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

***2018-006. Accountability of Cash.***

Condition: The bank accounts were not reconciled on a timely basis

Status: We will take steps to comply in the future.

***2018-013. Incorrectly posting of revenue and expenditures for federal funds.***

Condition: The Town did not correctly record revenue and 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.

Status: Corrected; no Single Audit for 2019.

***2018-001. Federal grant documentation***

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

Status: Corrected; no Single Audit for 2019.