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TOWN OF PELAHATCHIE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

TOWN OF PELAHATCHIE

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TOWN OF PELAHATCHIE

FINANCIAL SECTION

Windham and Lacey, PLLC

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American Institute of CPAs
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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Aldermen
Town of Pelahatchie

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie as of September 30, 2007, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2008, on our consideration of the Town of Pelahatchie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pelahatchie's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Windham and Lacey, PLLC
January 8, 2008

TOWN OF PELAHATCHIE

FINANCIAL STATEMENTS

Town of Pelahatchie
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2007

Functions/Programs	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 360,392	40,883		177,332	(319,509)		(319,509)
Public safety	803,923	105,226	33,241		(488,124)		(488,124)
Public works	289,467	65,084	346		(224,037)		(224,037)
Interest on long-term debt	4,865				(4,865)		(4,865)
Total Governmental Activities	<u>1,458,647</u>	<u>211,193</u>	<u>33,587</u>	<u>177,332</u>	<u>(1,036,535)</u>	<u>0</u>	<u>(1,036,535)</u>
Business-type activities:							
Water/Sewer	1,436,276	478,803		989,268		31,795	31,795
Total Business-type Activities	<u>1,436,276</u>	<u>478,803</u>	<u>0</u>	<u>989,268</u>	<u>0</u>	<u>31,795</u>	<u>31,795</u>
Total Government	\$ <u>2,894,923</u>	<u>689,996</u>	<u>33,587</u>	<u>1,166,600</u>	<u>(1,036,535)</u>	<u>31,795</u>	<u>(1,004,740)</u>
General Receipts							
Taxes:					\$		
Property taxes					247,153		247,153
Road & bridge privilege taxes					34,040		34,040
Sales tax					302,081		302,081
Franchise taxes					56,758		56,758
Grants and contributions not restricted to specific programs					4,687		4,687
Unrestricted investment income					3,105	3,080	6,185
Miscellaneous					121,693		121,693
Debt proceeds					160,000	2,501	162,501
Transfers					38,040	(38,040)	
Total General Receipts					<u>967,557</u>	<u>(32,459)</u>	<u>935,098</u>
Change in net assets					<u>(68,978)</u>	<u>(664)</u>	<u>(69,642)</u>
Net Assets - Beginning					<u>161,774</u>	<u>85,694</u>	<u>247,468</u>
Net Assets - Ending					<u>\$ 92,796</u>	<u>85,030</u>	<u>177,826</u>

(Continued)

Town of Pelahatchie
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2007

ASSETS	
Cash and cash equivalents	\$ 92,356
Restricted cash	85,470
Total Assets	<u>\$ 177,826</u>
NET ASSETS	
Restricted:	
Restricted for unemployment compensation	\$ 4,873
Restricted for fire protection	15,251
Restricted for law enforcement	40,458
Restricted for meter deposits	24,887
Unrestricted	92,357
Total Net Assets	<u>\$ 177,826</u>

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

Town of Pelahatchie
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and For the Year Ended September 30, 2007

	Governmental Activities				Business-type
	<u>Major Fund</u>				Activities
	General Fund	Police Seizure Fund	Special Fire Fund	Total	Water/Sewer Funds
RECEIPTS					
Ad valorem taxes	\$ 247,153			247,153	
Road and bridge tax	34,040			34,040	
License and permits	40,883			40,883	
Franchise taxes on utilities	56,758			56,758	
Grand Gulf payments in lieu of tax	48,763			48,763	
Intergovernmental revenues:					
Federal revenues:					
Public safety grants	13,873			13,873	
Grants					546,768
State shared revenues:					
Sales taxes	302,081			302,081	
Grants	71,246			71,246	147,500
General municipal aid	4,687			4,687	
Fire insurance rebate			6,914	6,914	
Local shared revenues:					
Forfeiture revenues		13,968		13,968	
County grants			99,668	99,668	295,000
Charges for services:					
Garbage	65,084			65,084	
Water and sewer utility					454,174
Fines and forfeits	105,226			105,226	
Interest income	236	2,197	672	3,105	3,080
Contributions from outside sources			750	750	
Miscellaneous revenue	27,637		50,738	78,375	24,629
Total Receipts	<u>1,017,667</u>	<u>16,165</u>	<u>158,742</u>	<u>1,192,574</u>	<u>1,471,151</u>

Town of Pelahatchie
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2007

(Continued)

	Governmental Activities				Business-type
	Major Fund				Activities
	General Fund	Police Seizure Fund	Special Fire Fund	Total	Water/Sewer Fund
DISBURSEMENTS					
General government	359,200			359,200	
Public safety	524,474	563	17,074	542,111	
Public works	283,895			283,895	
Water and sewer utility					
Personal services					193,667
Supplies					56,337
Utilities					52,605
Other services and charges					72,130
Total Disbursements	<u>1,167,569</u>	<u>563</u>	<u>17,074</u>	<u>1,185,206</u>	<u>374,739</u>
Excess of Receipts over (under) Disbursements	<u>(149,902)</u>	<u>15,602</u>	<u>141,668</u>	<u>7,368</u>	<u>1,096,412</u>
OTHER CASH SOURCES (USES)					
Purchase of capital assets	(70,100)		(255,017)	(325,117)	(25,000)
Capital outlay - improvements					(966,768)
Loan proceeds	120,100		110,000	230,100	
CAP loan proceeds					2,501
Principal paid on loan and lease purchase	(8,221)		(5,337)	(13,558)	(20,522)
Interest paid on loan and lease purchase	(4,869)		(942)	(5,811)	(5,124)
Principal paid on bonds and notes					(37,255)
Interest paid on bonds and notes					(6,868)
Transfers in (out) to other funds	<u>113,351</u>	<u>(75,311)</u>		<u>38,040</u>	<u>(38,040)</u>
Total Other Cash Sources and (Uses)	<u>150,261</u>	<u>(75,311)</u>	<u>(151,296)</u>	<u>(76,346)</u>	<u>(1,097,076)</u>
Excess (Deficiency) of Receipts and Other Cash Sources over Disbursements and Other Cash Uses	359	(59,709)	(9,628)	(68,978)	(664)
CASH BASIS FUND BALANCE-					
Beginning of Year	<u>36,730</u>	<u>100,167</u>	<u>24,879</u>	<u>161,774</u>	<u>85,694</u>
CASH BASIS FUND BALANCE-End of Year \$	<u><u>37,089</u></u>	<u><u>40,458</u></u>	<u><u>15,251</u></u>	<u><u>92,796</u></u>	<u><u>85,030</u></u>

Town of Pelahatchie
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2007

(Continued)

	Governmental Activities				Business-type
	<u>Major Fund</u>				Activities
	General Fund	Police Seizure Fund	Special Fire Fund	Total	Water/Sewer Fund
CASH BASIS ASSETS - End of Year					
Cash and cash equivalents	\$ 32,214			32,214	36,984
Restricted cash	4,873	40,458	15,251	60,582	48,046
Total Cash Basis Assets	\$ <u>37,087</u>	<u>40,458</u>	<u>15,251</u>	<u>92,796</u>	<u>85,030</u>
CASH BASIS FUND BALANCES – End of Year					
Reserved	\$	40,458	15,251	55,709	
Reserved for unemployment compensation	4,873			4,873	
Unreserved	32,214			32,214	85,030
Total Cash Basis Fund Balances	\$ <u>37,087</u>	<u>40,458</u>	<u>15,251</u>	<u>92,796</u>	<u>85,030</u>

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

TOWN OF PELAHATCHIE

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

The financial statements of the Town have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Town combines the Statement of Activities and Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

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

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

TOWN OF PELAHATCHIE

Notes to Financial Statements
September 30, 2007

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.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Net Assets or Equity.

1. *Cash and Investments.*

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

2. *Fund Equity.*

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

(2) Defined Benefit Pension Plan.

Plan Description: The Town of Pelahatchie contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, at 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the Association is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Association's contributions to PERS for the years ended September 30, 2007, 2006 and 2005 were \$58,862, \$54,422 and \$45,481, respectively, which is equal to the required contributions for each year.

TOWN OF PELAHATCHIE

REQUIRED SUPPLEMENTARY INFORMATION

Town of Pelahatchie
 Budgetary Comparison Schedule -
 Budget and Actual
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Ad valorem taxes	\$ 241,550	247,153	247,153	
Road and bridge tax	34,000	34,040	34,040	
Charges for services	75,000	65,084	65,084	
License and permits	88,000	97,641	97,641	
Intergovernmental receipts	336,300	391,887	391,887	
In lieu of taxes	69,987	48,763	48,763	
Fines and forfeits	128,000	105,226	105,226	
Miscellaneous	6,000	27,875	27,875	
Total Receipts	<u>978,837</u>	<u>1,017,669</u>	<u>1,017,669</u>	<u>0</u>
EXPENDITURES				
General government	236,430	359,200	359,200	
Public safety	399,508	525,933	525,933	
Public works	173,712	289,467	289,467	
Debt service:				
Principal	1,500	1,192	1,192	
Interest		4,869	4,869	
Total Expenditures	<u>811,150</u>	<u>1,180,661</u>	<u>1,180,661</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>167,687</u>	<u>(162,992)</u>	<u>(162,992)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Capital expenditure		(70,100)	(70,100)	
Proceeds from debt		120,100	120,100	
Transfers in	25,000	113,351	113,351	
Total Other Cash Sources and Uses	<u>25,000</u>	<u>163,351</u>	<u>163,351</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	192,687	359	359	0
Cash Basis Fund Balances - Beginning	<u>36,730</u>	<u>36,730</u>	<u>36,730</u>	<u>0</u>
Cash Basis Fund Balances - Ending	\$ <u>229,417</u>	\$ <u>37,089</u>	\$ <u>37,089</u>	<u>0</u>

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

Town of Pelahatchie
 Budgetary Comparison Schedule -
 Budget and Actual
 Police Seizure Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$	13,968	13,968	
Miscellaneous		2,197	2,197	
Total Receipts	<u>0</u>	<u>16,165</u>	<u>16,165</u>	<u>0</u>
EXPENDITURES				
Public safety		563	563	
Total Expenditures	<u>0</u>	<u>563</u>	<u>563</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>0</u>	<u>15,602</u>	<u>15,602</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers out		(75,311)	(75,311)	
Total Other Cash Sources and Uses	<u>0</u>	<u>(75,311)</u>	<u>(75,311)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	0	(59,709)	(59,709)	0
Cash Basis Fund Balances - Beginning	<u>0</u>	<u>100,167</u>	<u>100,167</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 0</u>	<u>40,458</u>	<u>40,458</u>	<u>0</u>

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

Town of Pelahatchie
 Budgetary Comparison Schedule -
 Budget and Actual
 Special Fire Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$ 161,000	107,332	107,332	
Miscellaneous	51,384	51,410	51,410	
Total Receipts	<u>212,384</u>	<u>158,742</u>	<u>158,742</u>	<u>0</u>
EXPENDITURES				
Public works	46,780	17,074	17,074	
Debt service:				
Principal	12,000	5,337	5,337	
Interest		942	942	
Total Expenditures	<u>58,780</u>	<u>23,353</u>	<u>23,353</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>153,604</u>	<u>135,389</u>	<u>135,389</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Purchase of capital assets	(261,296)	(255,017)	(255,017)	
Proceeds from debt	110,000	110,000	110,000	
Total Other Cash Sources and Uses	<u>(151,296)</u>	<u>(145,017)</u>	<u>(145,017)</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	2,308	(9,628)	(9,628)	0
Cash Basis Fund Balance - Beginning	<u>24,879</u>	<u>24,879</u>	<u>24,879</u>	<u>0</u>
Cash Basis Fund Balance - Ending	<u>\$ 27,187</u>	<u>15,251</u>	<u>15,251</u>	<u>0</u>

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

TOWN OF PELAHATCHIE

Notes to the Required Supplementary Information For the Year Ended September 30, 2007

A. Budgetary Information.

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

The Town's budget is prepared on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

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

C. Budget Reconciliation.

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

TOWN OF PELAHATCHIE

SUPPLEMENTAL INFORMATION

Town of Pelahatchie
Schedule of Expenditures of Federal Awards
September 30, 2007

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
MAJOR PROGRAMS:				
U.S. Department of Housing and Urban Development/Mississippi Development Authority Community Development Block Grant	14.228	1123-CDBG 2006	1123-06-294-PF-01	\$ 291,954
Delta Regional Authority Delta Area Economic Development	90.201	MS-3000	MS-3000	<u>254,814</u>
Total Major Programs				<u>546,768</u>
NON-MAJOR PROGRAMS:				
U.S. Department of Justice/Mississippi Department of Public Safety/Local Law Enforcement Block Grant	16.592	2006-DB-BX-0049	06LB3201	407
U. S. Department of Transportation/National Highway Traffic Safety Administration/Mississippi Department of Public Safety/ State and Community Highway Safety	20.600	NHTSA 154 FY07	07TA3201	<u>13,465</u>
Total Non-Major Programs				<u>13,872</u>
Total Major and Non-Major Programs				<u>\$ 560,640</u>

Note A - Basis of Presentation

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

TOWN OF PELAHATCHIE

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Town of Pelahatchie
Schedule of Changes in Long-term Debt
For the year Ended September 30, 2007

Description	Outstanding Balance Sept. 30, 2006	Issued	Redeemed	Outstanding Balance Sept. 30, 2007
Bond issued				
1997 general obligation bond issue	\$ 268,000		19,000	249,000
1996 general obligation bond issue	<u>110,000</u>			<u>110,000</u>
Total general obligation bonds	378,000	0	19,000	359,000
Other long-term debt				
State of Mississippi water pollution abatement loan	30,208		12,500	17,708
Note payable - Priority One Bank	18,256		18,256	
Note payable Evergreen settlement	34,596			34,596
State of Mississippi - CAP Loan	233,916	2,501	8,022	228,395
State of Mississippi - CAP Loan - fire truck		110,000	5,337	104,663
Note payable Trustmark - fire truck		50,000		50,000
Note payable Trustmark		70,100	1,191	68,909
Capital leases	<u>7,029</u>		<u>7,029</u>	
	<u>\$ 702,005</u>	<u>232,601</u>	<u>71,335</u>	<u>863,271</u>

Town of Pelahatchie, Mississippi
Schedule of Investments - All Funds
September 30, 2007

	<u>Balance</u>
Enterprise Fund	
5.069% Certificate of deposit, dated October 31, 2006, due 365 days after date	\$ 32,675
4.374% Certificate of Deposit, dated March 31, 2007, due 365 days after date	<u>4,974</u>
Total Enterprise Fund investments	<u>37,649</u>
Employment Security Fund	
4.374% Certificate of Deposit, dated August 28, 2007, due 365 days after date	<u>4,873</u>
Total Employment Security Fund Investments	<u>4,873</u>
Total All Funds	<u>\$ 42,522</u>

Town of Pelahatchie
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2007

<u>Position</u>	<u>Company</u>		<u>Coverage</u>
Alderman	MS Municipal Bond	\$	30,000
Mayor	Brierfield Insurance Company		25,000
Town Clerk	Brierfield Insurance Company		50,000
Deputy Town Clerk	Brierfield Insurance Company		10,000
Human Resources Director	Brierfield Insurance Company		25,000
Police Chief	Brierfield Insurance Company		50,000
Police Officers	Brierfield Insurance Company		25,000
Court Clerk	Brierfield Insurance Company		10,000
Police Dispatcher	Brierfield Insurance Company		10,000

TOWN OF PELAHATCHIE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Board of Aldermen
Town of Pelahatchie

We have audited the financial statements of the Town of Pelahatchie as of and for the year ended September 30, 2007, and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Pelahatchie's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Town of Pelahatchie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Mayor, Board of Aldermen, and management. However, this report is a matter of public record, and its distribution is not limited.

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

January 8, 2008
Windham and Lacey, PLLC

Windham and Lacey, PLLC

Certified Public Accountants

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

Board of Aldermen
Town of Pelahatchie

Compliance

We have audited the compliance of the Town of Pelahatchie, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Town of Pelahatchie's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Pelahatchie's management. Our responsibility is to express an opinion on the Town of Pelahatchie's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Pelahatchie's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Pelahatchie's compliance with those requirements.

In our opinion, the Town of Pelahatchie complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Town of Pelahatchie is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Pelahatchie's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
January 8, 2008

TOWN OF PELAHATCHIE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TOWN OF PELAHATCHIE

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | U.S. Department of Housing and Urban Development/
Community Development Block Grant, CFDA #14.228 | |
| | Delta Regional Authority/
Delta Area Economic Development, CFDA #90.201 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

TOWN OF PELAHATCHIE

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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