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TOWN OF PELAHATCHIE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

TOWN OF PELAHATCHIE

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TOWN OF PELAHATCHIE

FINANCIAL SECTION

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 BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Aldermen
Town of Pelahatchie

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, as of and for the year ended September 30, 2009, 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.

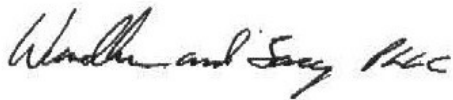
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pelahatchie as of September 30, 2009, 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 15, 2010, 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 Schedules are not a required part of the basic financial statements but are 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 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 15, 2010

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, 2009

	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Assets</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Governmental Activities:							
General government	\$ 293,750	35,434		34,500	(223,816)		(223,816)
Public safety	663,063	81,445	51,447		(530,171)		(530,171)
Public works	528,825	82,494	1,227	281,734	(163,370)		(163,370)
Culture and recreation	630,443			484,819	(145,624)		(145,624)
Interest on long-term debt	6,000				(6,000)		(6,000)
Total Governmental Activities	<u>2,122,081</u>	<u>199,373</u>	<u>52,674</u>	<u>801,053</u>	<u>(1,068,981)</u>	<u>0</u>	<u>(1,068,981)</u>
Business-type Activities:							
Water/Sewer	449,156	421,516				(27,640)	(27,640)
Total Business-type Activities	<u>449,156</u>	<u>421,516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,640)</u>	<u>(27,640)</u>
Total Government	\$ <u>2,571,237</u>	<u>620,889</u>	<u>52,674</u>	<u>801,053</u>	<u>(1,068,981)</u>	<u>(27,640)</u>	<u>(1,096,621)</u>
General Receipts							
Taxes:							
Property taxes					\$ 316,635		316,635
Road & bridge privilege taxes					47,854		47,854
Sales tax					305,647		305,647
Franchise taxes					54,154		54,154
Grants and contributions not restricted to specific programs					3,925		3,925
Unrestricted investment income					11,292	1,023	12,315
Miscellaneous					71,424		71,424
Fund equity transfer					111,474	(111,474)	
Transfers					(21,425)	21,425	
Total General Receipts					<u>900,980</u>	<u>(89,026)</u>	<u>811,954</u>
Change in net assets					<u>(168,001)</u>	<u>(116,666)</u>	<u>(284,667)</u>
Net Assets - Beginning					318,092	169,612	487,704
Prior Period Adjustment					38,363		38,363
Net Assets - Restated					<u>356,455</u>	<u>169,612</u>	<u>526,067</u>
Net Assets - Ending					\$ <u>188,454</u>	<u>52,946</u>	<u>241,400</u>

Town of Pelahatchie
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2009

(Continued)

ASSETS	
Cash and cash equivalents	\$ 29,598
Restricted cash	<u>211,802</u>
Total Assets	<u>\$ 241,400</u>
NET ASSETS	
Restricted:	
Restricted for unemployment compensation	\$ 4,873
Restricted for fire protection	6,333
Restricted for law enforcement	174,725
Restricted for meter deposits	<u>25,871</u>
Unrestricted	<u>29,598</u>
Total Net Assets	<u>\$ 241,400</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, 2009

	<u>Governmental Activities</u>				<u>Business-type</u>
	<u>Major Funds</u>			<u>Total</u>	<u>Activities</u>
	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Non-Major Funds</u>		<u>Water/Sewer Funds</u>
RECEIPTS					
Ad valorem taxes	\$ 316,635			316,635	
Road and bridge tax	47,854			47,854	
License and permits	35,434			35,434	
Franchise taxes on utilities	54,154			54,154	
Grand Gulf payments in lieu of tax	52,720			52,720	
Intergovernmental revenues:					
Federal revenues:					
Public safety grants	16,470			16,470	
Grants		569,123		569,123	
State shared revenues:					
Sales taxes	305,647			305,647	
Grants	2,127	149,668		151,795	
General municipal aid	3,925			3,925	
Fire insurance rebate			7,720	7,720	
Local shared revenues:					
Forfeiture revenues			34,077	34,077	
County grants		58,475	16,068	74,543	
Charges for services:					
Garbage	82,494			82,494	
Water and sewer utility					403,059
Fines and forfeits	81,445			81,445	
Interest income	1,217	4,309	5,766	11,292	1,023
Miscellaneous revenue	25,744			25,744	18,457
Total Receipts	<u>1,025,866</u>	<u>781,575</u>	<u>63,631</u>	<u>1,871,072</u>	<u>422,539</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, 2009

(Continued)

	Governmental Activities				Business-type
	Major Fund				Activities
	General Fund	Capital Projects Grant Fund	Non-Major Funds	Total	Water/Sewer Fund
DISBURSEMENTS					
General government	266,290			266,290	
Public safety	508,443		105,459	613,902	
Public works	260,227			260,227	
Water and sewer utility					
Personal services					274,564
Supplies					20,434
Utilities					53,112
Other services and charges					29,087
Total Disbursements	<u>1,034,960</u>	<u>0</u>	<u>105,459</u>	<u>1,140,419</u>	<u>377,197</u>
Excess of Receipts over (under) Disbursements	<u>(9,094)</u>	<u>781,575</u>	<u>(41,828)</u>	<u>730,653</u>	<u>45,342</u>
OTHER CASH SOURCES (USES)					
Purchase of capital assets	(38,800)			(38,800)	
Capital outlay - improvements		(931,409)		(931,409)	
Principal paid on loan and lease purchase	(2,134)		(10,362)	(12,496)	(10,678)
Interest paid on loan and lease purchase	(5,227)		(772)	(5,999)	(4,232)
Principal paid on bonds and notes					(45,707)
Interest paid on bonds and notes					(11,341)
Transfers in (out) to other funds	63,025		(84,450)	(21,425)	21,424
Fund equity transfer		111,474		111,474	(111,474)
Total Other Cash Sources and (Uses)	<u>16,864</u>	<u>(819,935)</u>	<u>(95,584)</u>	<u>(898,655)</u>	<u>(162,008)</u>
Excess (Deficiency) of Receipts and Other Cash Sources over Disbursements and Other Cash Uses	<u>7,770</u>	<u>(38,360)</u>	<u>(137,412)</u>	<u>(168,002)</u>	<u>(116,666)</u>
CASH BASIS FUND BALANCE - Beginning of Year	<u>(379)</u>	<u>0</u>	<u>318,472</u>	<u>429,567</u>	<u>169,612</u>
Prior period adjustment		<u>38,363</u>		<u>38,363</u>	
CASH BASIS FUND BALANCE - Beginning of Year as Restated	<u>(379)</u>	<u>38,363</u>	<u>318,472</u>	<u>356,456</u>	<u>169,612</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 7,391</u>	<u>3</u>	<u>181,060</u>	<u>188,454</u>	<u>52,946</u>
CASH BASIS ASSETS - End of Year					
Cash and cash equivalents	\$ 2,518	3		2,521	27,075
Restricted cash	4,873		181,060	185,933	25,871
Total Cash Basis Assets	<u>\$ 7,391</u>	<u>3</u>	<u>181,060</u>	<u>188,454</u>	<u>52,946</u>
CASH BASIS FUND BALANCES - End of Year					
Reserved for unemployment compensation	\$ 4,873			4,873	
Unreserved	<u>2,518</u>	<u>3</u>	<u>181,060</u>	<u>183,581</u>	<u>52,946</u>
Total Cash Basis Fund Balances	<u>\$ 7,391</u>	<u>3</u>	<u>181,060</u>	<u>188,454</u>	<u>52,946</u>

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

TOWN OF PELAHATCHIE

**Notes to Financial Statements
For the Year Ended September 30, 2009**

(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.

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 *capital projects grant fund* accounts for grants to be used for capital expenditures and improvements.

TOWN OF PELAHATCHIE

**Notes to Financial Statements
For the Year Ended September 30, 2009**

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 are 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 Town is required to contribute at an actuarially determined rate. The current rate is 12.0% 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, 2009, 2008 and 2007 were \$69,278, \$62,779 and \$58,862, respectively, which is equal to the required contributions for each year.

(3) Prior Period Adjustments.

A prior period adjustment of \$38,363 is required to adjust beginning cash basis net assets in the Statement of Activities and the beginning cash basis fund balance in the Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances Governmental and Business-type Funds. In the prior year, revenue from a grant was understated.

TOWN OF PELAHATCHIE

REQUIRED SUPPLEMENTARY INFORMATION

Town of Pelahatchie
Budgetary Comparison Schedule -
Budget and Actual
General Fund
For the Year Ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Ad valorem taxes	\$ 313,650	316,635	316,635	
Road and bridge tax	46,000	47,854	47,854	
Charges for services	75,000	82,494	82,494	
License and permits	93,000	89,588	89,588	
Intergovernmental receipts	349,000	328,169	328,169	
In lieu of taxes	50,000	52,720	52,720	
Fines and forfeits	150,000	81,445	81,445	
Miscellaneous	8,500	26,961	26,961	
Total Receipts	<u>1,085,150</u>	<u>1,025,866</u>	<u>1,025,866</u>	<u>0</u>
EXPENDITURES				
General government	249,460	266,290	266,290	
Public safety	517,408	508,443	508,443	
Public works	316,354	260,227	260,227	
Debt service:				
Principal		2,134	2,134	
Interest		5,227	5,227	
Total Expenditures	<u>1,083,222</u>	<u>1,042,321</u>	<u>1,042,321</u>	<u>0</u>
Excess of Receipts over (under) Expenditures	<u>1,928</u>	<u>(16,455)</u>	<u>(16,455)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Capital expenditure		(38,800)	(38,800)	
Transfers in		63,025	63,025	
Total Other Cash Sources and Uses	<u>0</u>	<u>24,225</u>	<u>24,225</u>	<u>0</u>
Net Change in Cash Basis Fund Balance	1,928	7,770	7,770	0
Cash Basis Fund Balances - Beginning	<u>37,087</u>	<u>(379)</u>	<u>(379)</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 39,015</u>	<u>7,391</u>	<u>7,391</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, 2009

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Town of Pelahatchie
Schedule of Changes in Long-term Debt
For the year Ended September 30, 2009

<u>Description</u>	<u>Outstanding Balance Sept. 30, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding Balance Sept. 30, 2009</u>
Bonds issued:				
1997 general obligation bond issue	\$ 228,500		20,500	208,000
1996 general obligation bond issue	<u>110,000</u>		<u>20,000</u>	<u>90,000</u>
Total general obligation bonds	338,500	0	40,500	298,000
Other long-term debt:				
State of Mississippi -				
Water pollution abatement loan	5,207		5,207	0
Note payable - Evergreen settlement	25,121			25,121
State of Mississippi - CAP loan	218,018		10,678	207,340
State of Mississippi - CAP loan - fire truck	94,545		10,361	84,184
Note payable - Trustmark	<u>67,500</u>		<u>2,134</u>	<u>65,366</u>
	<u>\$ 748,891</u>	<u>0</u>	<u>68,880</u>	<u>680,011</u>

Town of Pelahatchie, Mississippi
Schedule of Investments - All Funds
September 30, 2009

	<u>Balance</u>
Enterprise Fund	
2.75% Certificate of Deposit dated November 15, 2008, due 365 days after date.	\$ 24,056
1.75% Certificate of Deposit dated March 30, 2009, due 365 days after date.	<u>5,347</u>
Total Enterprise Fund Investments	<u>29,403</u>
Employment Security Fund	
1.75% Certificate of Deposit dated August 27, 2009, due 365 days after date.	<u>4,873</u>
Total Employment Security Fund Investments	<u>4,873</u>
Total All Funds	<u><u>\$ 34,276</u></u>

Town of Pelahatchie
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2009

<u>Position</u>	<u>Company</u>	<u>Coverage</u>
Aldermen	MS Municipal Bond Program	\$ 50,000
Mayor	MS Municipal Bond Program	50,000
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 Dispatchers	Brierfield Insurance Company	10,000

TOWN OF PELAHATCHIE

SUPPLEMENTAL INFORMATION

TOWN OF PELAHATCHIE
Schedule of Expenditures of Federal Awards
September 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
MAJOR FEDERAL AWARDS:				
U.S. Department of Housing & Urban Development/ Mississippi Development Authority/Community Development Block Grants:				\$
City Hall Renovation	14.228/14.219	R-110	R-110-294-01-GZ	102,744
Streetscape Project	14.228/14.219	R-110	R-110-294-02-GZ	485,419
Self-help Downtown Improvements	14.228	CDBG 2007	1124-07-294-SH-01	10,260
Sewer Line Rehabilitation	14.228	CDBG 2008	1125-08-294-PF-01	<u>440,758</u>
Total Expenditures of Major Federal Awards				<u>1,039,181</u>
OTHER FEDERAL AWARDS:				
U.S. Department of Justice - Office of Justice Programs/ Mississippi Department of Public Safety Planning/ DUI Enforcement Program	16.738	08-TA-320-1 09-TA-320-1		903 6,879
U.S. Department of Justice - Office of Justice Programs/ Mississippi Department of Public Safety Planning/	16.738	06HL3201		3,661
U.S. Department of Homeland Security/ Mississippi Emergency Management Agency/ Hazard Mitigation Grant Program - Warning Siren	97.039	1604-168	1604-168	<u>4,010</u>
Total Expenditures of Other Federal Awards				<u>15,453</u>
Total Expenditures of Federal Awards				<u>\$ 1,054,634</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared 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 that are prepared on the basis of cash receipts and disbursements.

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***

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 Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise Town of Pelahatchie, Mississippi's basic financial statements and have issued our report thereon dated January 15, 2010. We 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*, 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, 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 over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

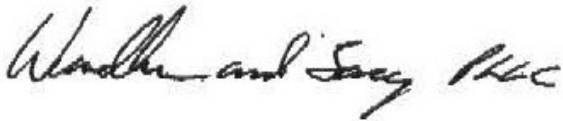
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

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
January 15, 2010

Windham and Lacey, PLLC

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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

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

Compliance

We have audited the compliance of Town of Pelahatchie, Mississippi, 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, 2009. Town of Pelahatchie, Mississippi'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 Town of Pelahatchie, Mississippi's management. Our responsibility is to express an opinion on Town of Pelahatchie, Mississippi'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 Town of Pelahatchie, Mississippi'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 Town of Pelahatchie, Mississippi's compliance with those requirements.

In our opinion, Town of Pelahatchie, Mississippi, 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, 2009.

Internal Control Over Compliance

The management of Town of Pelahatchie, Mississippi, 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 Town of Pelahatchie, Mississippi'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, 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 control deficiency in a town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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

Windham and Lacey, PLLC
January 15, 2010

Windham and Lacey, PLLC

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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 Town of Pelahatchie, Mississippi, as of and for the year ended September 30, 2009, and have issued our report thereon dated January 15, 2010. 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 financial statements identified an instance of noncompliance with the requirements of state laws. Our finding and recommendation and your response are disclosed below:

Finding

Sections 21-3-5 and 21-15-23, Miss. Code Ann. (1972), require deputy town clerks and other employees handling or having the custody of any public funds be covered by a surety bond in an amount not less than \$50,000. Surety bonds covering deputy town clerks, court clerks and dispatchers were an amount less than the amount required by law at September 30, 2009.

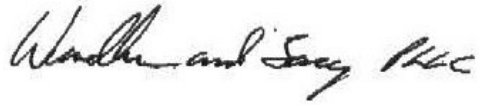
Recommendation

The Town should increase surety bond coverage for all employees to the amount required by law.

Town Clerk's Response

The Town will increase surety bond coverage for all employees to the amount required by law.

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.

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
January 15, 2010

TOWN OF PELAHATCHIE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TOWN OF PELAHTACHIE

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 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 Grants, CFDA #14.228 | |
| 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 |
| 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 |

TOWN OF PELAHTACHIE

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009**

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.