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CPAs & Advisors

To the Honorable Mayor and Board of Alderpersons  
Town of Gloster  
Gloster, Mississippi

In planning and performing our audit of the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gloster, Mississippi for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Gloster, Mississippi's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gloster, Mississippi's internal control. Accordingly we do not express an opinion on the effectiveness of the Town of Gloster, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Town of Gloster's internal control to be a material weakness:

Audit procedures identified material misstatements per the Town's accounting records as a result of the lack of controls over the review of journal entries and coding of receipts and disbursements. We recommend the Town of Gloster implement policies and procedures to ensure proper review of journal entries and coding of receipts and disbursements.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town of Gloster, Mississippi's internal control to be a significant deficiency:

Due to the limited number of people working in the office, many critical duties are combined and given to available employees. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible. We feel segregation could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.

This communication is intended solely for the information and use of management, the Mayor and Board of Alderpersons, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

*Haddox Reid Eubank Betts PLLC*

Jackson, Mississippi  
February 2, 2016



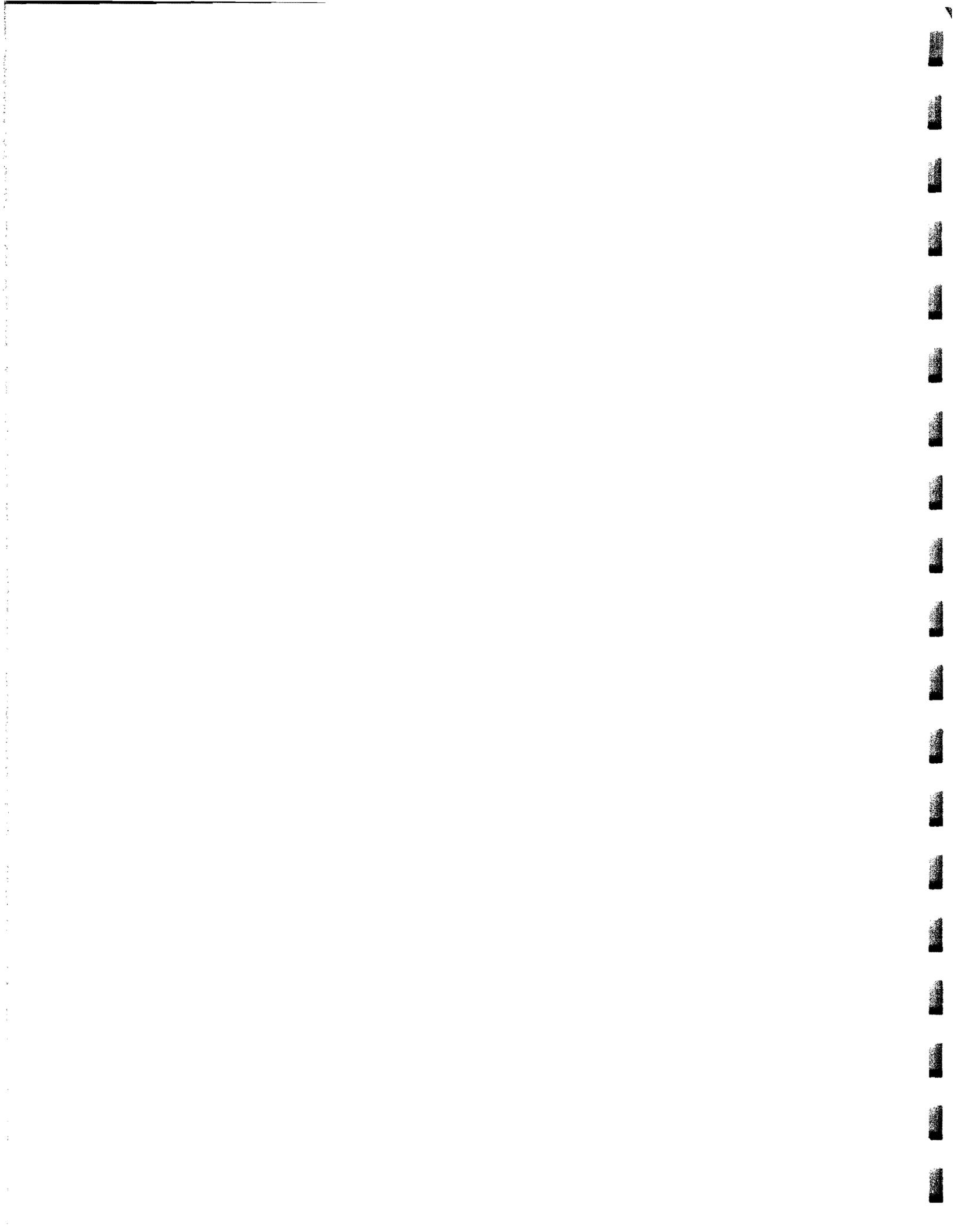
**TOWN OF GLOSTER, MISSISSIPPI**

**FINANCIAL STATEMENT AND  
SUPPLEMENTARY INFORMATION  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**SEPTEMBER 30, 2015**

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CPAs & Advisors

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Board of Alderpersons  
Town of Gloster  
Gloster, Mississippi

We have audited the accompanying statement of cash receipts and disbursements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gloster, Mississippi for the year ended September 30, 2015, and the related notes to the financial statement, which collectively comprise the Town's basic financial statement as listed in the table of contents.

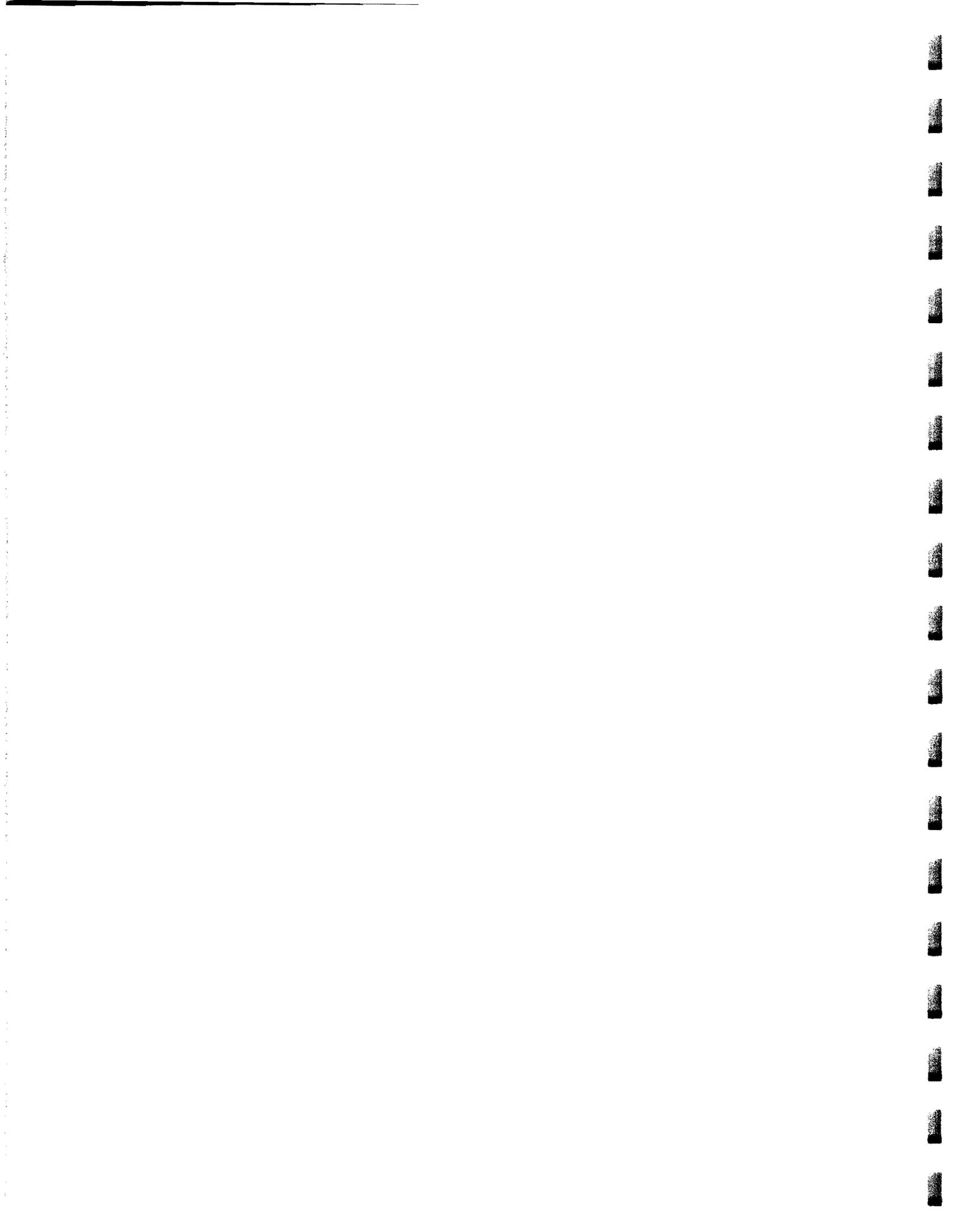
### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express opinions on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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 statement.



**Auditor's Responsibility - continued:**

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

**Opinions**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gloster, Mississippi for the year ended September 30, 2015 in accordance with the cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

**Other Matters**

*Other Information*

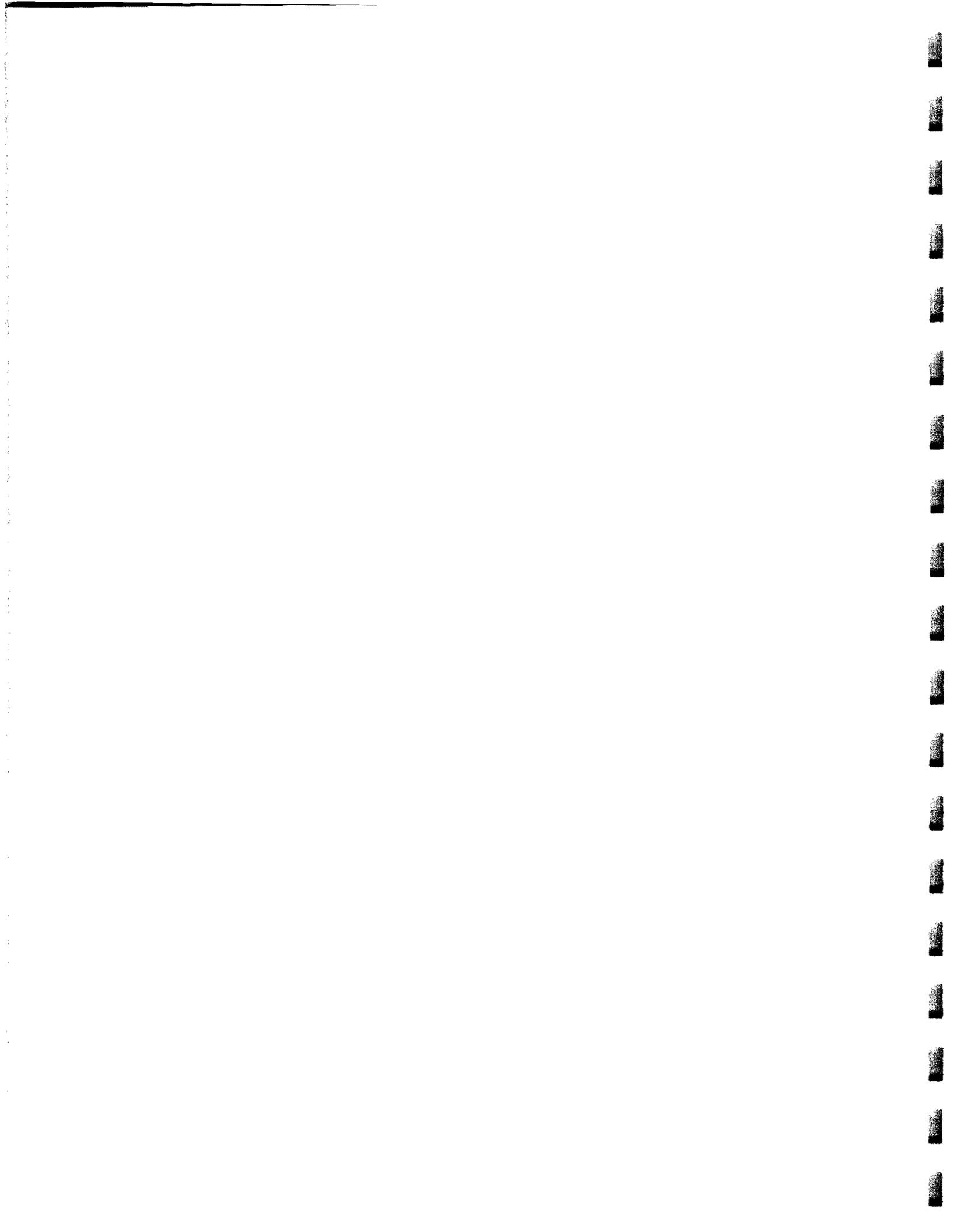
Our audit was conducted for the purpose of forming opinions on the financial statement of the Town of Gloster, Mississippi. The schedules included in the supplementary information section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

*Heddox Reid Eubank Betts PLLC*

Jackson, Mississippi  
February 2, 2016

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**TOWN OF GLOSTER, MISSISSIPPI**

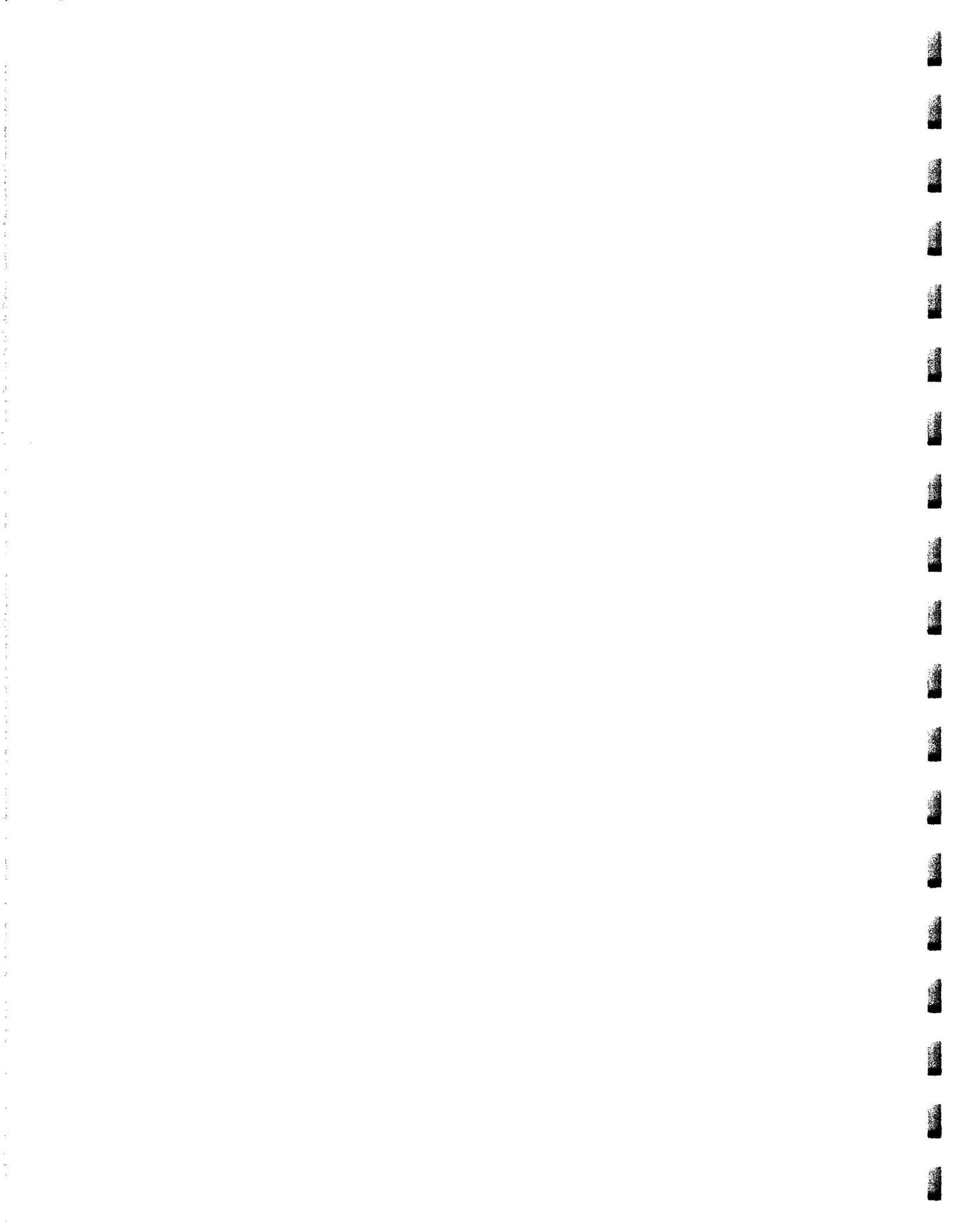
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

|   | <b>GOVERNMENTAL ACTIVITIES</b> |                                     |                                     |              |
|---|--------------------------------|-------------------------------------|-------------------------------------|--------------|
|   | <b>General<br/>Fund</b>        | <b>Capital<br/>Project<br/>Fund</b> | <b>Other<br/>Nonmajor<br/>Funds</b> | <b>Total</b> |
| <b>RECEIPTS:</b>  |                                |                                     |                                     |              |
| Taxes - Ad valorem  | \$ 204,730                     | -                                   | -                                   | 204,730      |
| Penalties and interest on<br>delinquent taxes                 | 685                            | -                                   | -                                   | 685          |
| Franchise fees  | 23,523                         | -                                   | -                                   | 23,523       |
| Licenses and permits  | 2,642                          | -                                   | -                                   | 2,642        |
| Intergovernmental receipts                                    | 199,132                        | 759,702                             | 5,223                               | 964,057      |
| Charges for services:   |                                |                                     |                                     |              |
| Sanitation  | 112,984                        | -                                   | -                                   | 112,984      |
| Water and sewer   | -                              | -                                   | -                                   | -            |
| Natural gas   | -                              | -                                   | -                                   | -            |
| Fines and forfeits  | 40,216                         | -                                   | -                                   | 40,216       |
| Interest  | 859                            | -                                   | 112                                 | 971          |
| Other   | 22,432                         | -                                   | 751                                 | 23,183       |
| Total receipts  | 607,203                        | 759,702                             | 6,086                               | 1,372,991    |
| <b>DISBURSEMENTS:</b>   |                                |                                     |                                     |              |
| General government  | 152,329                        | -                                   | -                                   | 152,329      |
| Public safety   | 347,386                        | -                                   | 10,595                              | 357,981      |
| Public works  | 292,245                        | 759,702                             | -                                   | 1,051,947    |
| Court   | 14,552                         | -                                   | -                                   | 14,552       |
| Culture and recreation  | 4,174                          | -                                   | -                                   | 4,174        |
| Enterprises:  |                                |                                     |                                     |              |
| Water and sewer   | -                              | -                                   | -                                   | -            |
| Natural gas   | -                              | -                                   | -                                   | -            |
| Debt Service:   |                                |                                     |                                     |              |
| Principal   | -                              | -                                   | -                                   | -            |
| Interest  | -                              | -                                   | -                                   | -            |
| Total disbursements   | 810,686                        | 759,702                             | 10,595                              | 1,580,983    |
| Excess (deficiency) of receipts over<br>(under) disbursements | (203,483)                      | -                                   | (4,509)                             | (207,992)    |

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE  
ACTIVITIES**

| <b>Water and<br/>Sewer<br/>Fund</b> | <b>Natural<br/>Gas Fund</b> | <b>Total</b>   |
|-------------------------------------|-----------------------------|----------------|
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| 418,400                             | -                           | 418,400        |
| -                                   | 547,136                     | 547,136        |
| -                                   | -                           | -              |
| 191                                 | 158                         | 349            |
| -                                   | 480                         | 480            |
| <u>418,591</u>                      | <u>547,774</u>              | <u>966,365</u> |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| -                                   | -                           | -              |
| 220,554                             | -                           | 220,554        |
| -                                   | 256,736                     | 256,736        |
| 43,389                              | -                           | 43,389         |
| 9,072                               | -                           | 9,072          |
| <u>273,015</u>                      | <u>256,736</u>              | <u>529,751</u> |
| <u>145,576</u>                      | <u>291,038</u>              | <u>436,614</u> |



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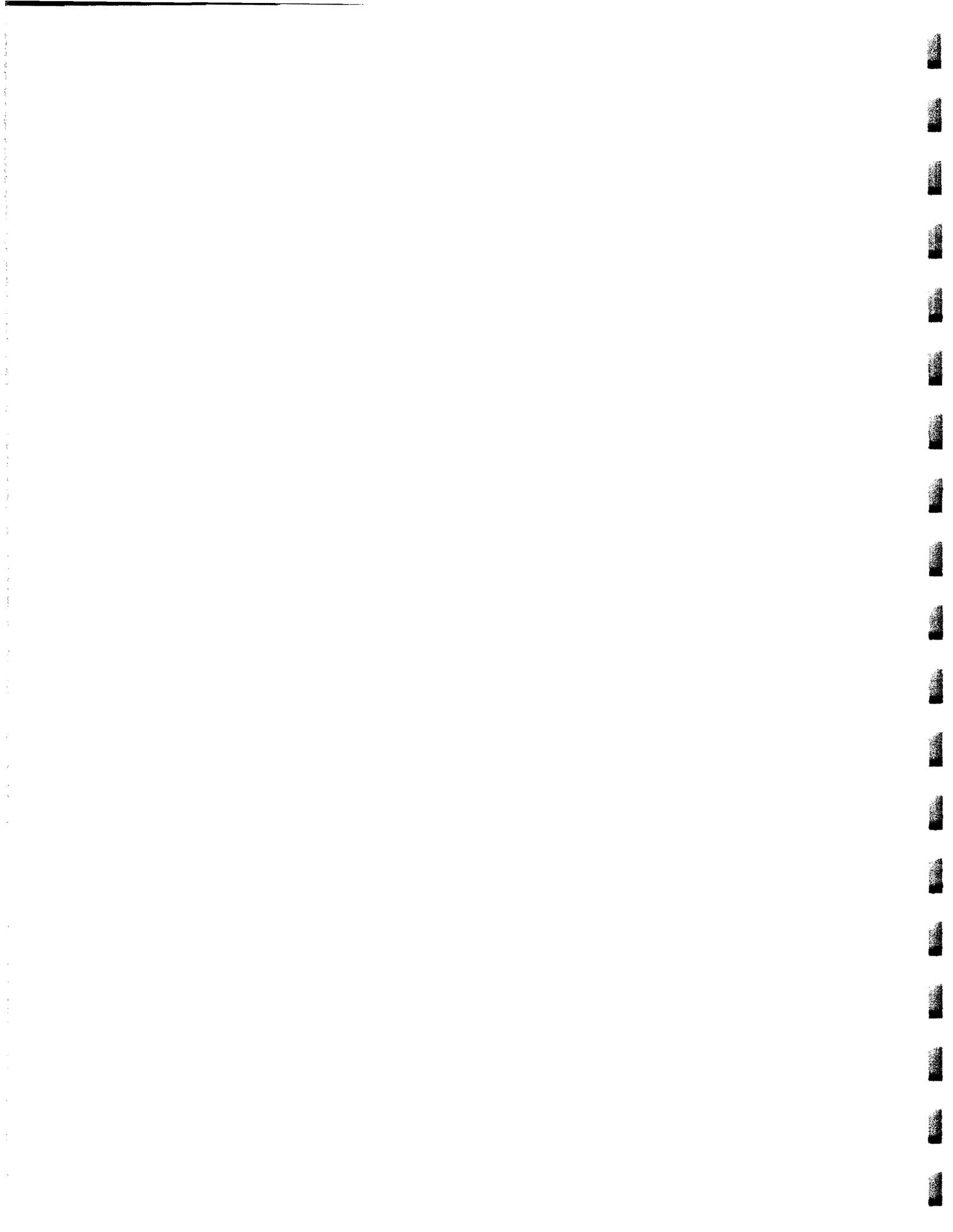
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

|   | <b>GOVERNMENTAL ACTIVITIES</b> |                                     |                                     |                      |
|---|--------------------------------|-------------------------------------|-------------------------------------|----------------------|
|   | <b>General<br/>Fund</b>        | <b>Capital<br/>Project<br/>Fund</b> | <b>Other<br/>Nonmajor<br/>Funds</b> | <b>Total</b>         |
| <b>OTHER CASH SOURCES (USES):</b>   |                                |                                     |                                     |                      |
| Interfund loans and transfers   | \$ (5,506)                     | -                                   | 5,506                               | -                    |
| Utility deposits (refunds) - net  | -                              | -                                   | -                                   | -                    |
| Total other cash sources (uses)   | (5,506)                        | -                                   | 5,506                               | -                    |
| <br>Excess (deficiency) of receipts and<br>other cash sources over (under)<br>disbursements and other cash uses | <br>(208,989)                  | <br>-                               | <br>997                             | <br>(207,992)        |
| <br><b>CASH BASIS FUND BALANCE -<br/>Beginning of year</b>  | <br><u>1,795,678</u>           | <br><u>-</u>                        | <br><u>112,136</u>                  | <br><u>1,907,814</u> |
| <br><b>CASH BASIS FUND BALANCE -<br/>End of year</b>  | <br>\$ <u>1,586,689</u>        | <br><u>-</u>                        | <br><u>113,133</u>                  | <br><u>1,699,822</u> |

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE  
ACTIVITIES**

| <u>Water and<br/>Sewer<br/>Fund</u> | <u>Natural<br/>Gas Fund</u> | <u>Total</u>   |
|-------------------------------------|-----------------------------|----------------|
| -                                   | -                           | -              |
| <u>1,530</u>                        | <u>(745)</u>                | <u>785</u>     |
| 1,530                               | (745)                       | 785            |
| 147,106                             | 290,293                     | 437,399        |
| <u>241,803</u>                      | <u>154,710</u>              | <u>396,513</u> |
| <u>388,909</u>                      | <u>445,003</u>              | <u>833,912</u> |



**TOWN OF GLOSTER, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Gloster, Mississippi (the Town) was incorporated in 1892. The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

**A. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statement is reported using the cash basis of accounting as permitted by the Mississippi Office of the State Auditor, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received rather than when earned and susceptible to accrual and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

Governmental Activities

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

The **Capital Project Fund** is used to account for the proceeds of the Katrina CDBG Economic Development Grant restricted for capital improvements which provide economic development assistance on behalf of Amite BioEnergy, LLC.

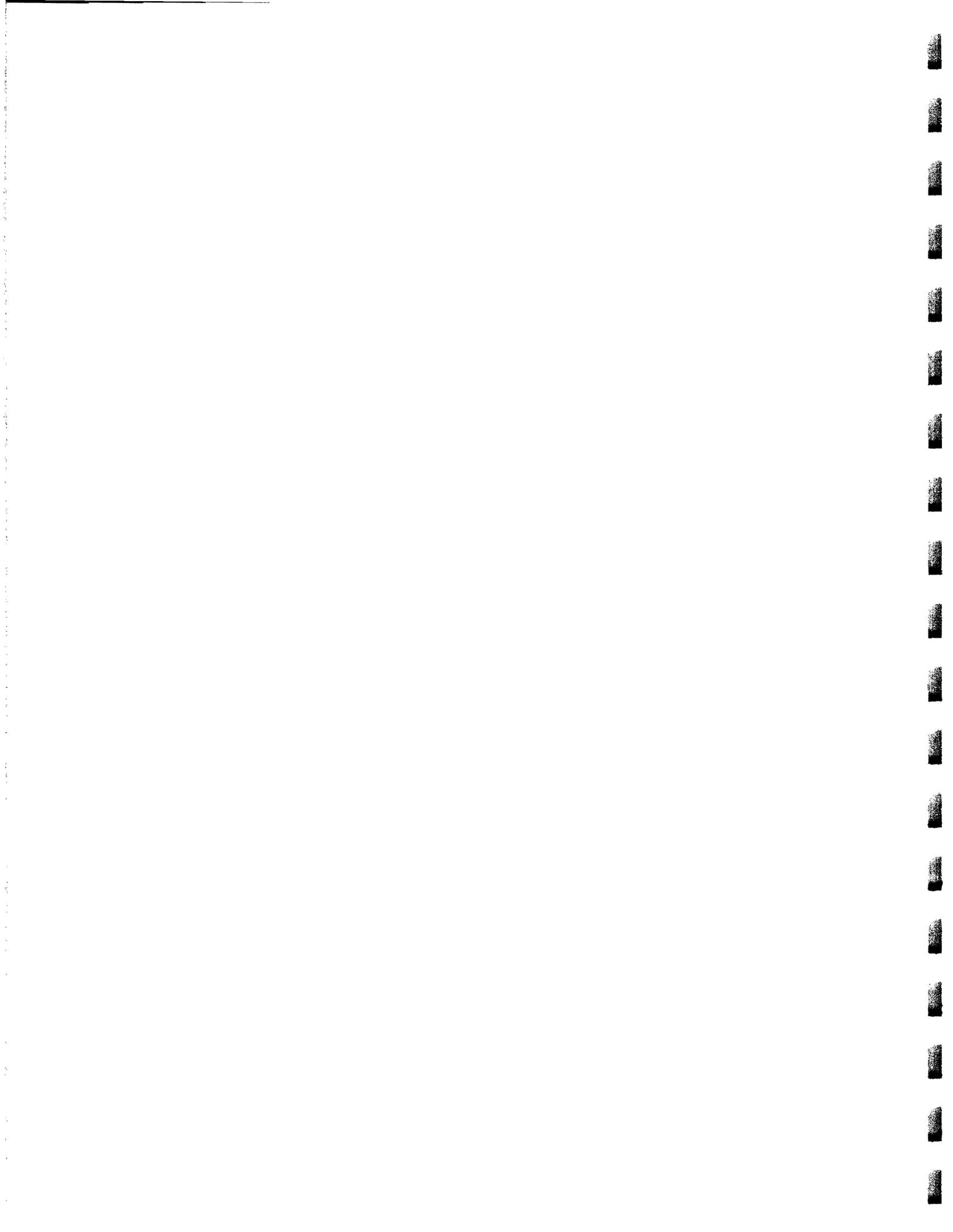
Additionally, the Town reports the following governmental fund type:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Business-Type Activities

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.



**TOWN OF GLOSTER, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**A. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:**

Business-Type Activities - continued:

The **Natural Gas Fund** accounts for the activities of providing natural gas services to citizens of the Town.

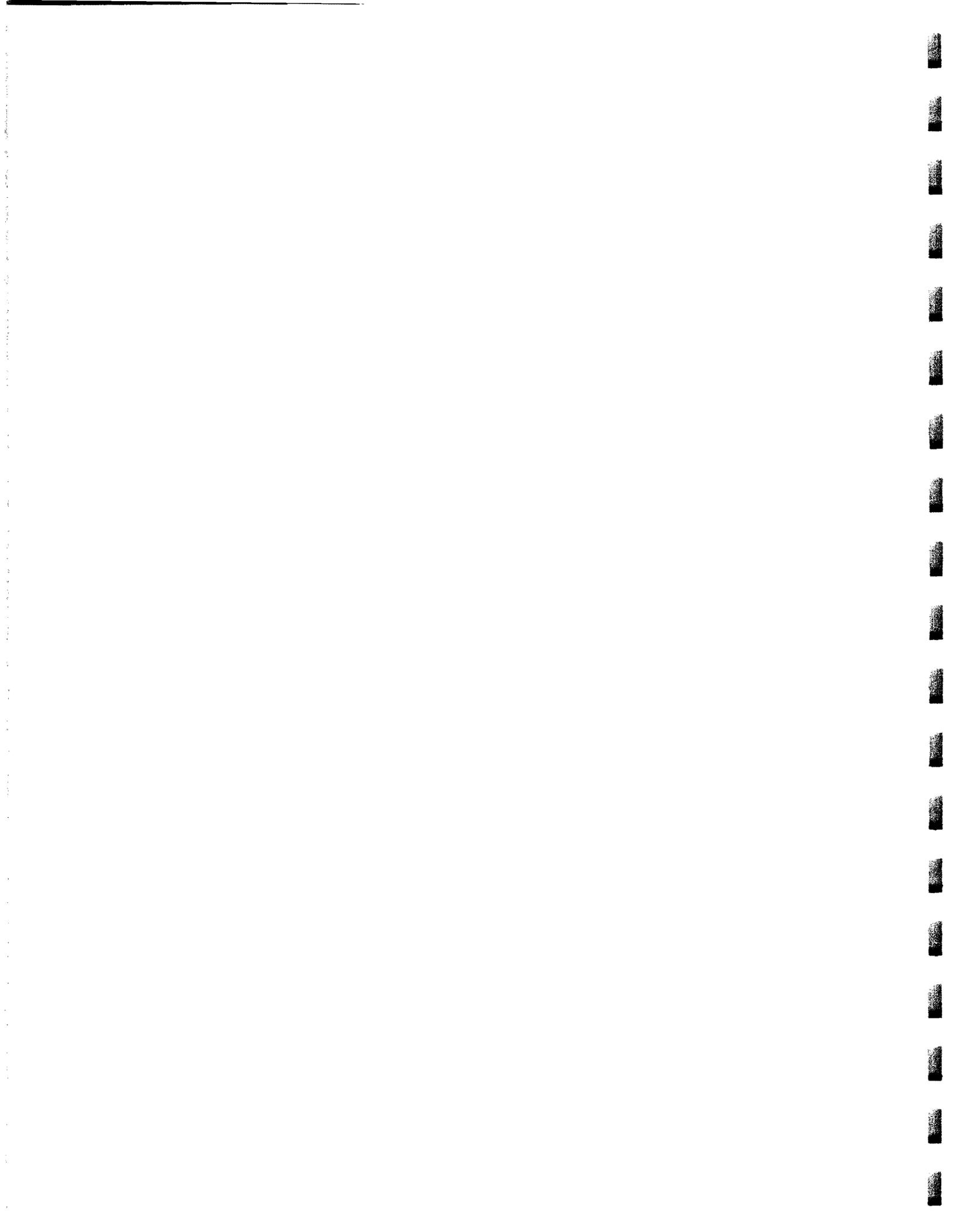
When both restricted and unrestricted cash is available for use, it is the Town's policy to use restricted cash first, then unrestricted cash as it is needed.

**NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT**

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a 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.

Cash and certificates of deposit are comprised of the following at September 30, 2015:

|                                  | <b>Unrestricted<br/>Cash and<br/>Certificates<br/>of Deposit</b> | <b>Restricted<br/>Cash and<br/>Certificates<br/>of Deposit</b> | <b><u>Total</u></b> |
|----------------------------------|--|--|---------------------|
| <b>Governmental activities:</b>  |  |  |                     |
| General Fund                     | \$ 1,575,420   | 11,269   | 1,586,689           |
| Cemetery Fund                    | -  | 105,124  | 105,124             |
| Fire Protection Fund             | -  | 3,797  | 3,797               |
| Unemployment Compensation Fund   | -  | 4,212  | 4,212               |
| Total governmental activities    | 1,575,420  | 124,402  | 1,699,822           |
| <b>Business-type activities:</b> |  |  |                     |
| Water and Sewer Fund             | 350,983  | 37,926   | 388,909             |
| Natural Gas Fund                 | 424,565  | 20,438   | 445,003             |
| Total business-type activities   | 775,548  | 58,364   | 833,912             |
| <b>Government-wide total</b>     | <b>\$ 2,350,968</b>  | <b>182,766</b>   | <b>2,533,734</b>    |



**TOWN OF GLOSTER, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:**

Deposits at September 30, 2015 are summarized as follows:

|                         | <b>Reported<br/><u>Amount</u></b> | <b>Bank<br/><u>Balance</u></b> |
|-------------------------|-----------------------------------|--------------------------------|
| Cash                    | \$ 2,307,616                      | 2,314,546                      |
| Certificates of deposit | <u>226,118</u>                    | <u>226,118</u>                 |
| Total deposits          | <u>\$ 2,533,734</u>               | <u>2,540,664</u>               |

The difference of \$6,930 was principally due to outstanding checks. Of the bank balance, \$476,118 was covered by Federal depository insurance.

*Custodial Credit Risk-Deposits.* 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. As of September 30, 2015, \$2,064,546 of the Town's bank balance of \$2,540,664 was exposed to custodial credit risk as follows:

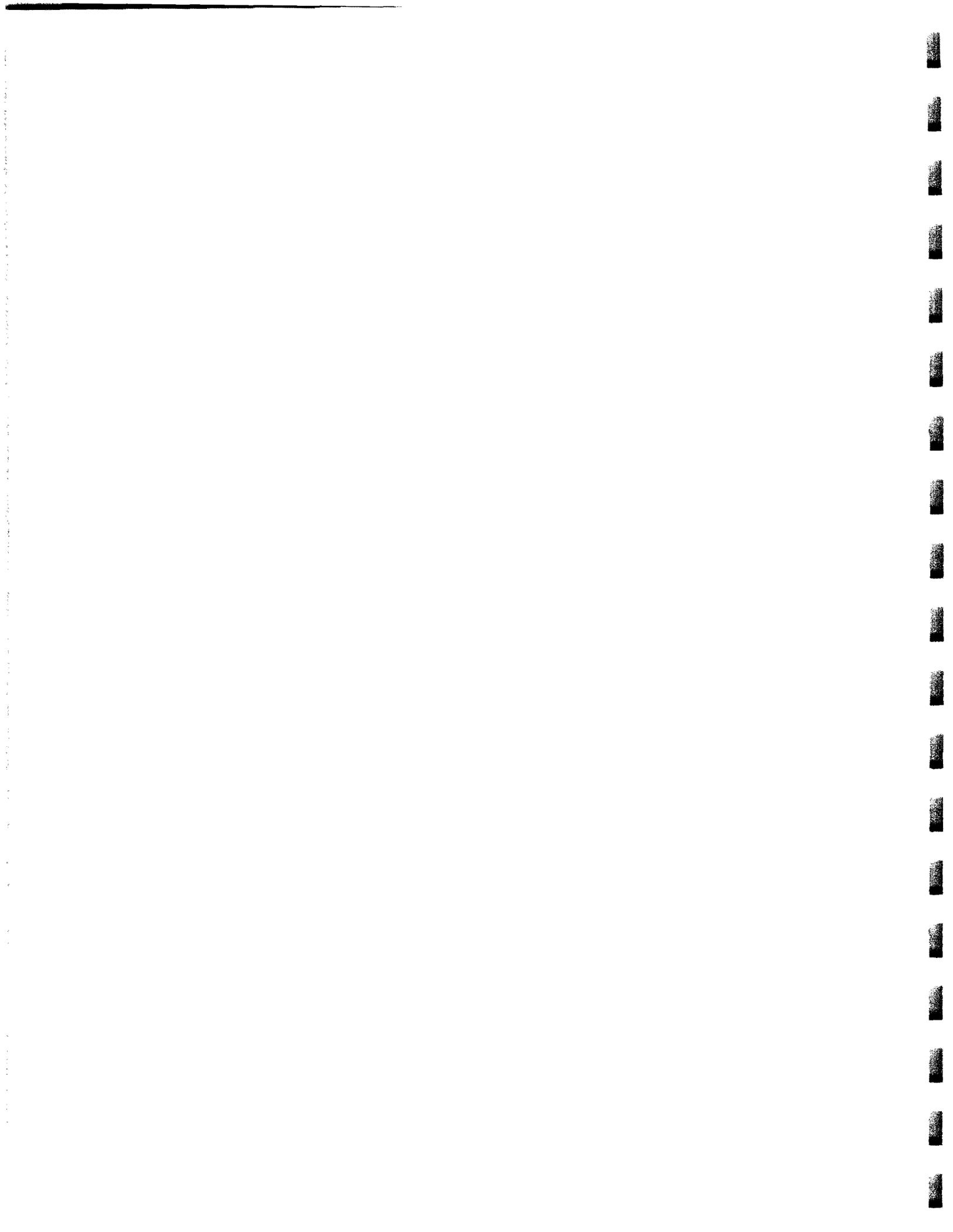
Collateralized by the state public funds:

|               |                     |
|---------------|---------------------|
| Guaranty pool | \$ <u>2,064,546</u> |
|---------------|---------------------|

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy that addresses custodial risk. However, the Mississippi State Treasurer manages the risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. The Town had no investments as of September 30, 2015.



**TOWN OF GLOSTER, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2015**

**NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:**

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2015, the Town had no investments.

Following is a list of the Town's eligible investments, which in accordance with state statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer, bonds or direct obligations of the:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

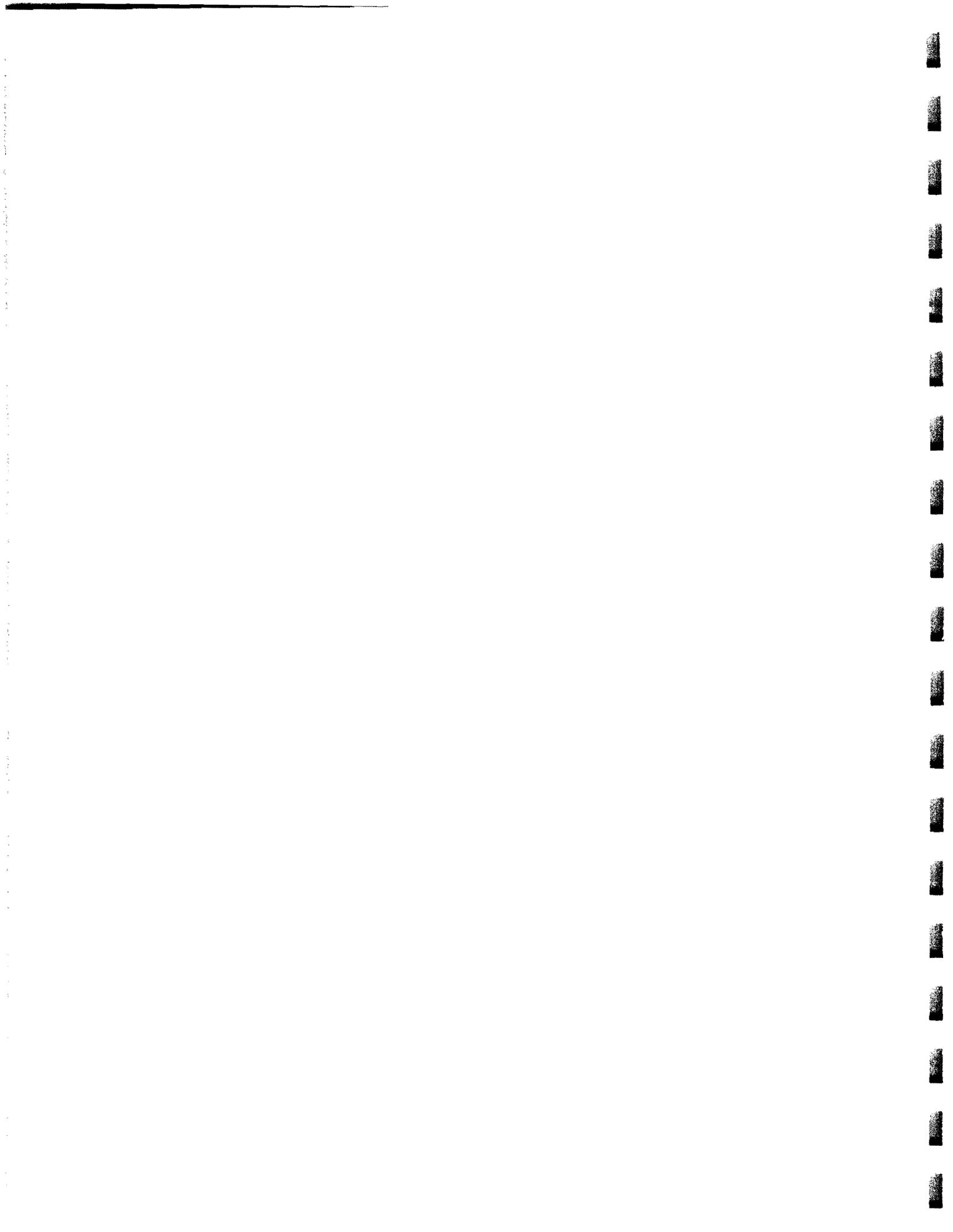
State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

**NOTE 3 - DEBT SERVICE**

As of September 30, 2015, annual debt service requirements of business-type activities to maturity are as follows:

| <b>Fiscal Year Ended</b>    | <b>Notes Payable</b>     |                        |
|-----------------------------|--------------------------|------------------------|
|                             | <b><u>Principal</u></b>  | <b><u>Interest</u></b> |
| <b><u>September 30,</u></b> |                          |                        |
| 2016                        | \$ 44,480                | 7,982                  |
| 2017                        | 45,599                   | 6,862                  |
| 2018                        | 46,749                   | 5,712                  |
| 2019                        | 47,929                   | 4,532                  |
| 2020                        | 49,142                   | 3,320                  |
| 2021-2024                   | <u>118,045</u>           | <u>3,426</u>           |
|                             | <b>\$ <u>351,944</u></b> | <b><u>31,834</u></b>   |

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**TOWN OF GLOSTER, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2015**

**NOTE 4 - PROPERTY TAX**

Property taxes for fiscal year 2015 were levied in September 2014 on the assessed valuation of property located in the Town of Gloster, Mississippi as of the preceding January 1, the lien date. The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Amite County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2015 were approximately 94% of the total tax levy.

The tax rate levied by the Town for fiscal year 2015 was set at 37.5 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

|              |                |
|--------------|----------------|
| General Fund | \$ <u>3.75</u> |
|--------------|----------------|

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

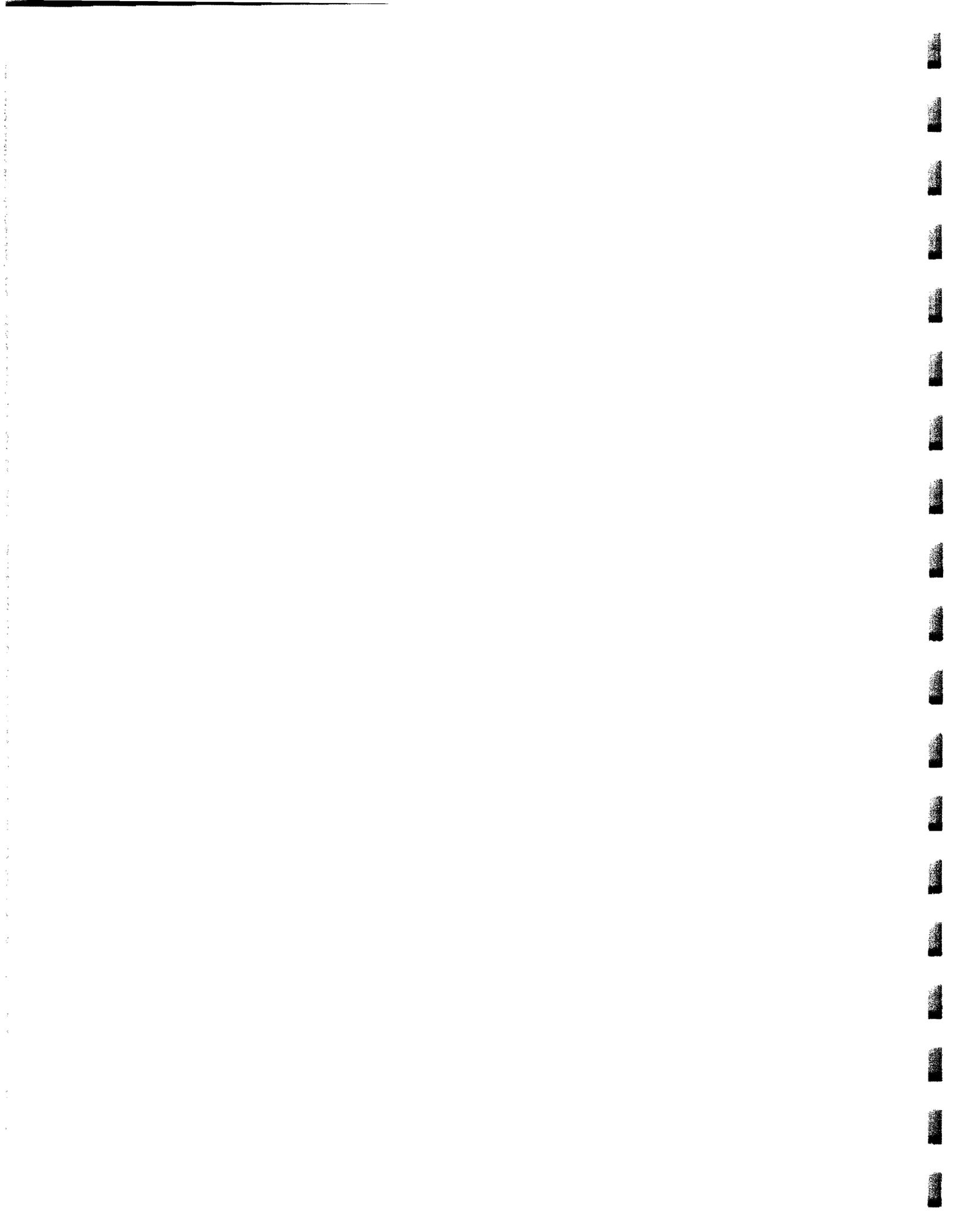
**General information about the Pension Plan**

Plan Description

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

Benefits provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or



**TOWN OF GLOSTER, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2015**

**NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:**

**General information about the Pension plan - continued:**

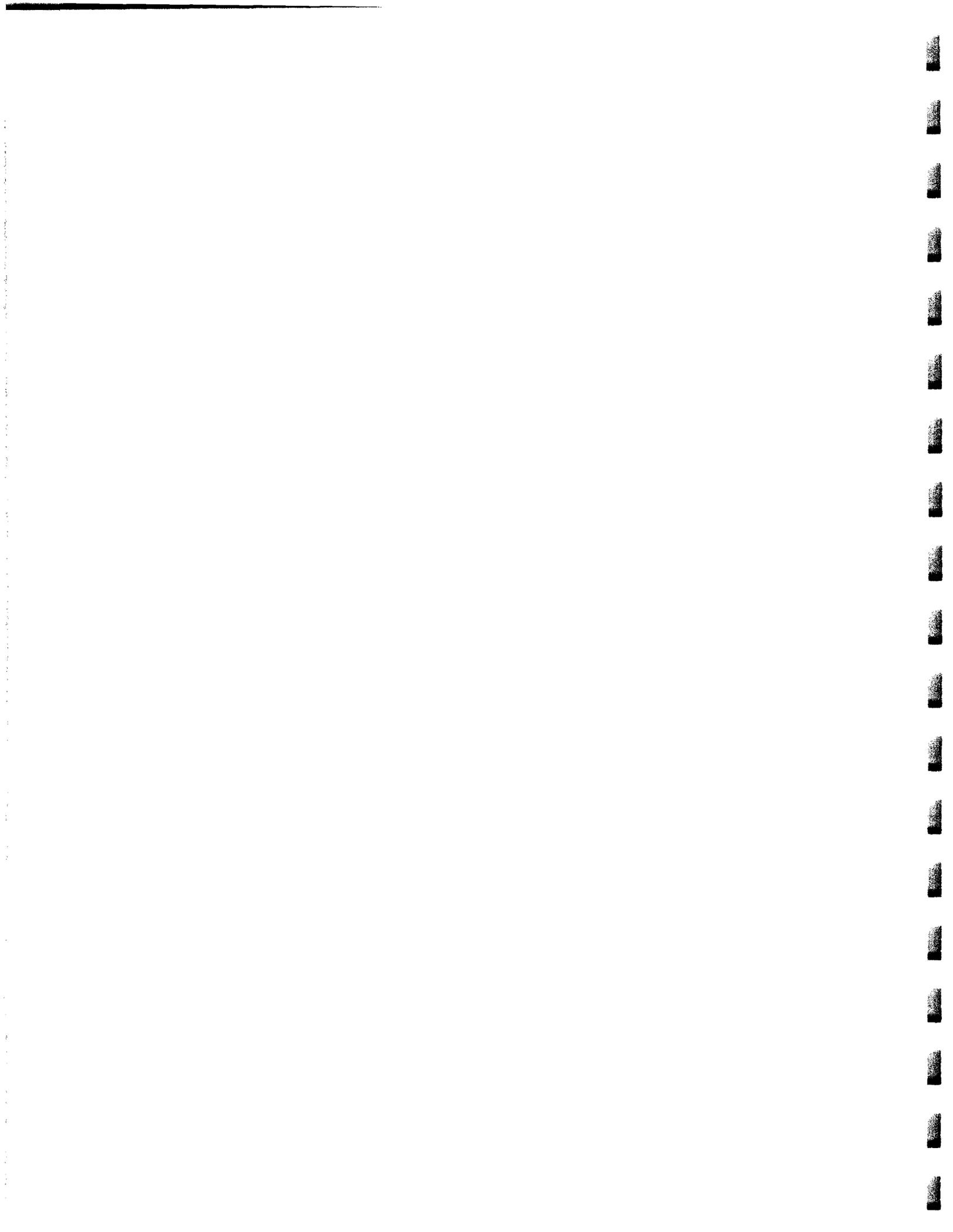
*Benefits provided - continued:*

her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011), are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provisions that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2015, the Town's total payroll for all employees was \$441,727. Total covered payroll was \$379,073. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

*Contributions*

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 rate for the year ended September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal year ended September 30, 2015, 2014 and 2013 were \$59,704, \$64,173 and \$65,359, respectively, which equaled the required contributions for each year.



**TOWN OF GLOSTER, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

**NOTE 6 - INTERFUND LOANS AND TRANSFERS**

Interfund loans and transfers during the year were as follows:

| <u>Type</u> | <u>To</u>            | <u>From</u>  | <u>Amount</u> |
|-------------|----------------------|--------------|---------------|
| Loan        | Fire Protection Fund | General Fund | \$ 5,506      |

The above interfund loans and transfers are necessary to move funds collected in one fund to another fund in accordance with the Town's annual budget.

**NOTE 7 - CONTINGENCIES**

Litigation

The Town has pending legal claims incurred in the normal course of operations that in the opinion of Town officials can be disposed of without material adverse effect on the financial position or results of operations of the Town.

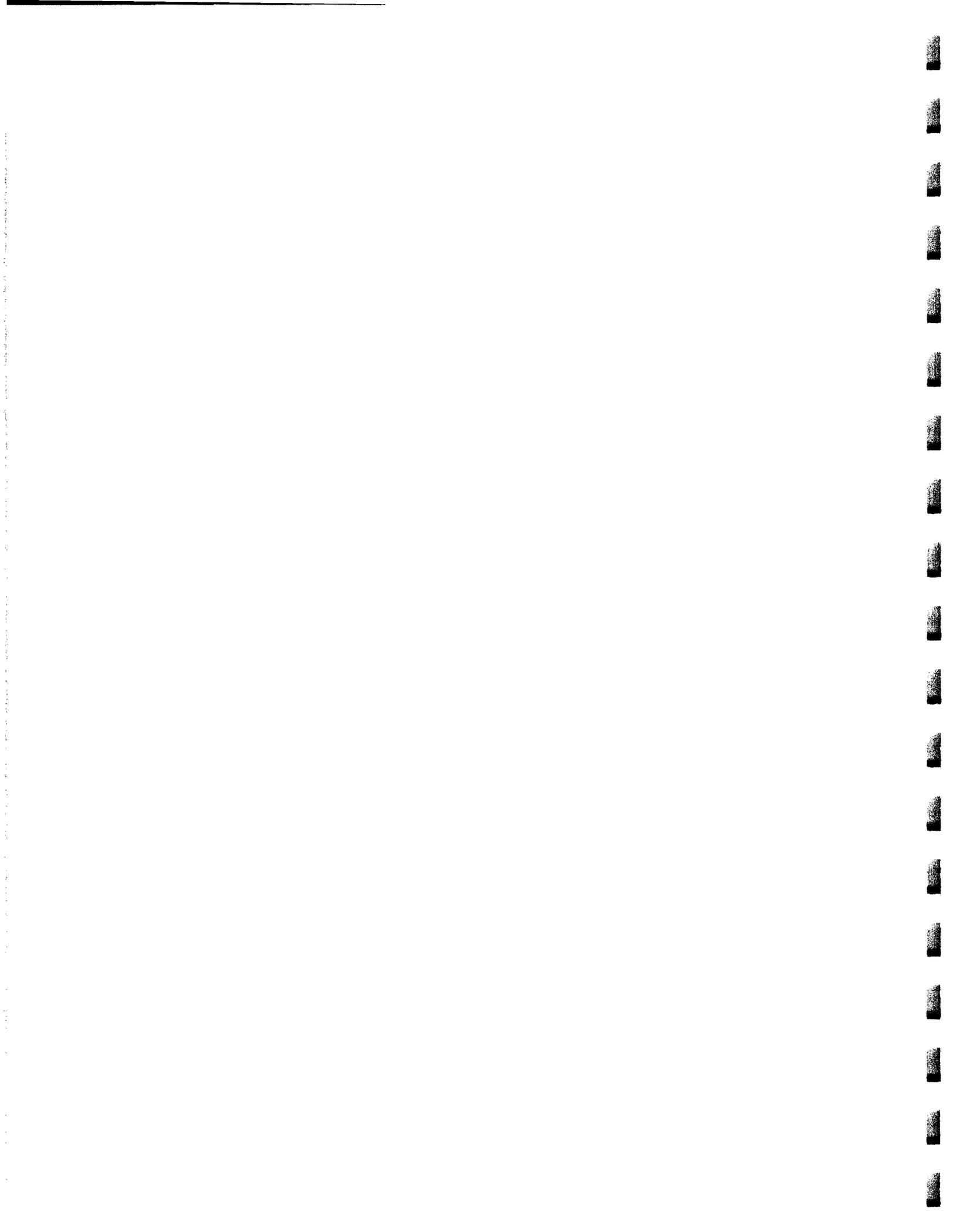
Federal Grants

In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 8 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss other than workers' compensation and liability. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities



**TOWN OF GLOSTER, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENT**  
**SEPTEMBER 30, 2015**

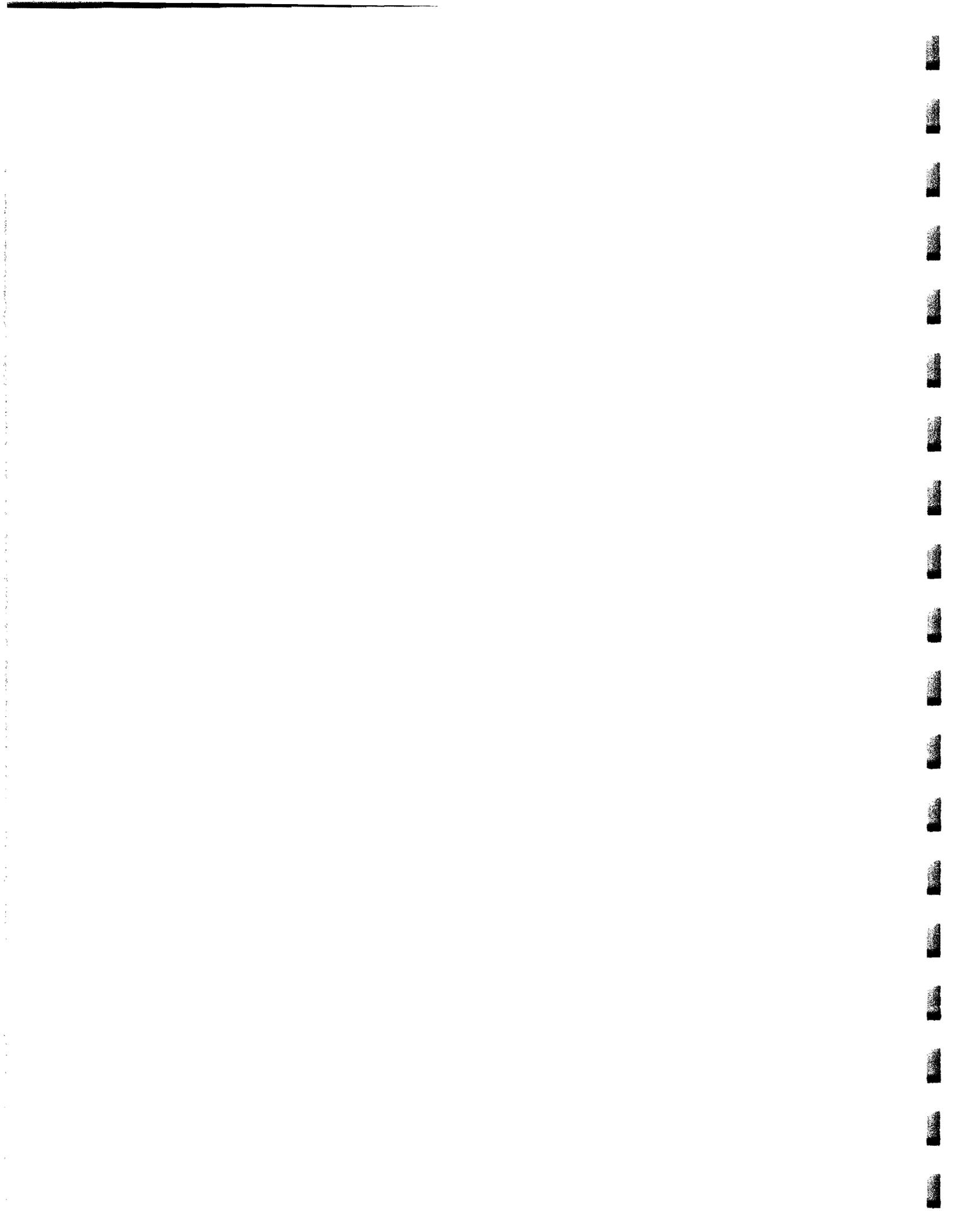
**NOTE 8 - RISK MANAGEMENT - CONTINUED:**

within the State of Mississippi workers' compensation and employers' liability coverage. The Town pays premiums to the pool quarterly for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for losses incurred by the pool.

The Town is a member of the Mississippi Municipal Liability Plan, a public entity risk pool. The Mississippi Municipal Liability Plan covers liability claims against its members and is funded through member contributions. The Town has not had an additional assessment for excess losses.

**NOTE 9 - SUBSEQUENT EVENTS**

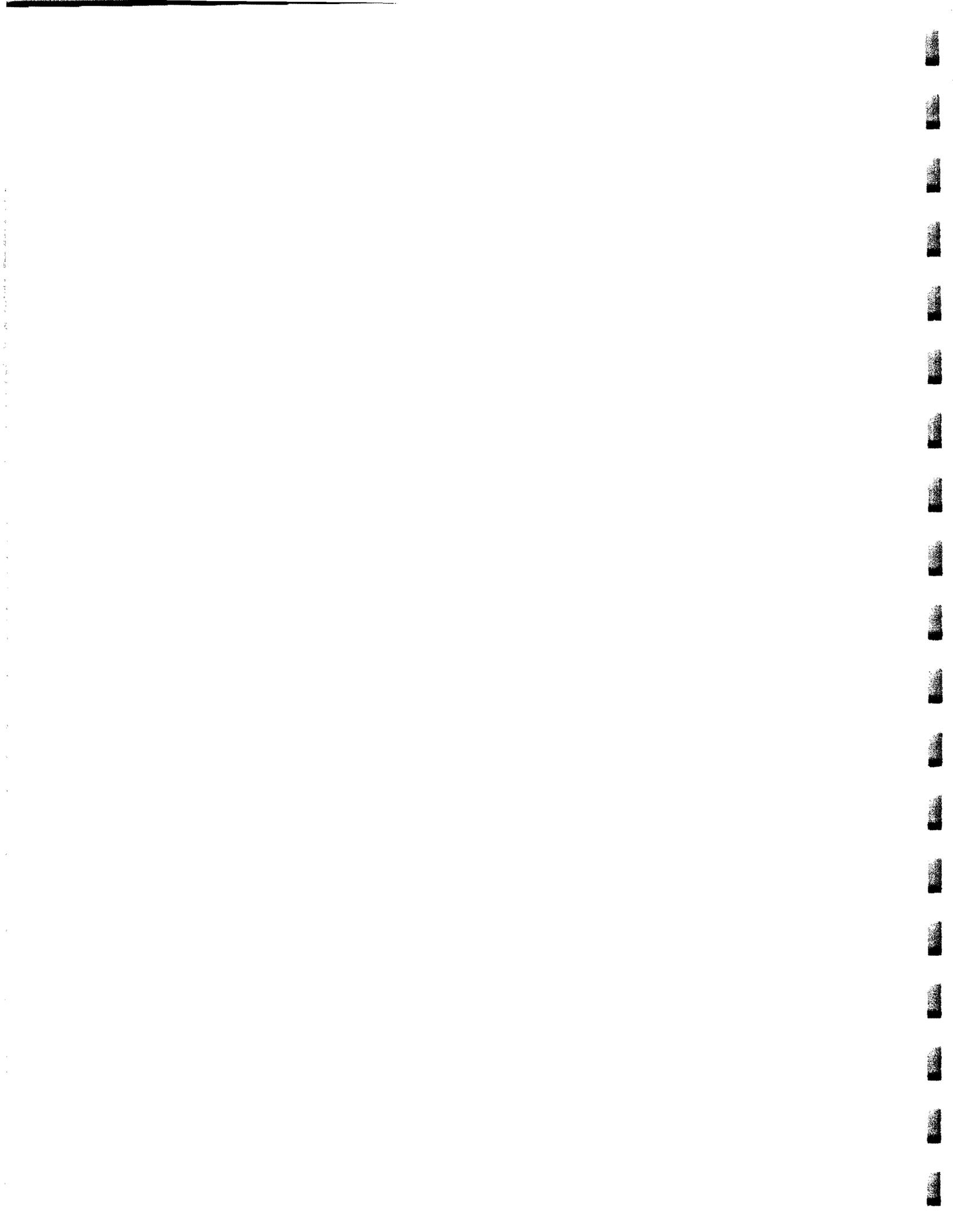
The Town had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statement through February 2, 2016, the date the financial statement was approved by the Town's management and thereby available to be released.



SUPPLEMENTARY INFORMATION

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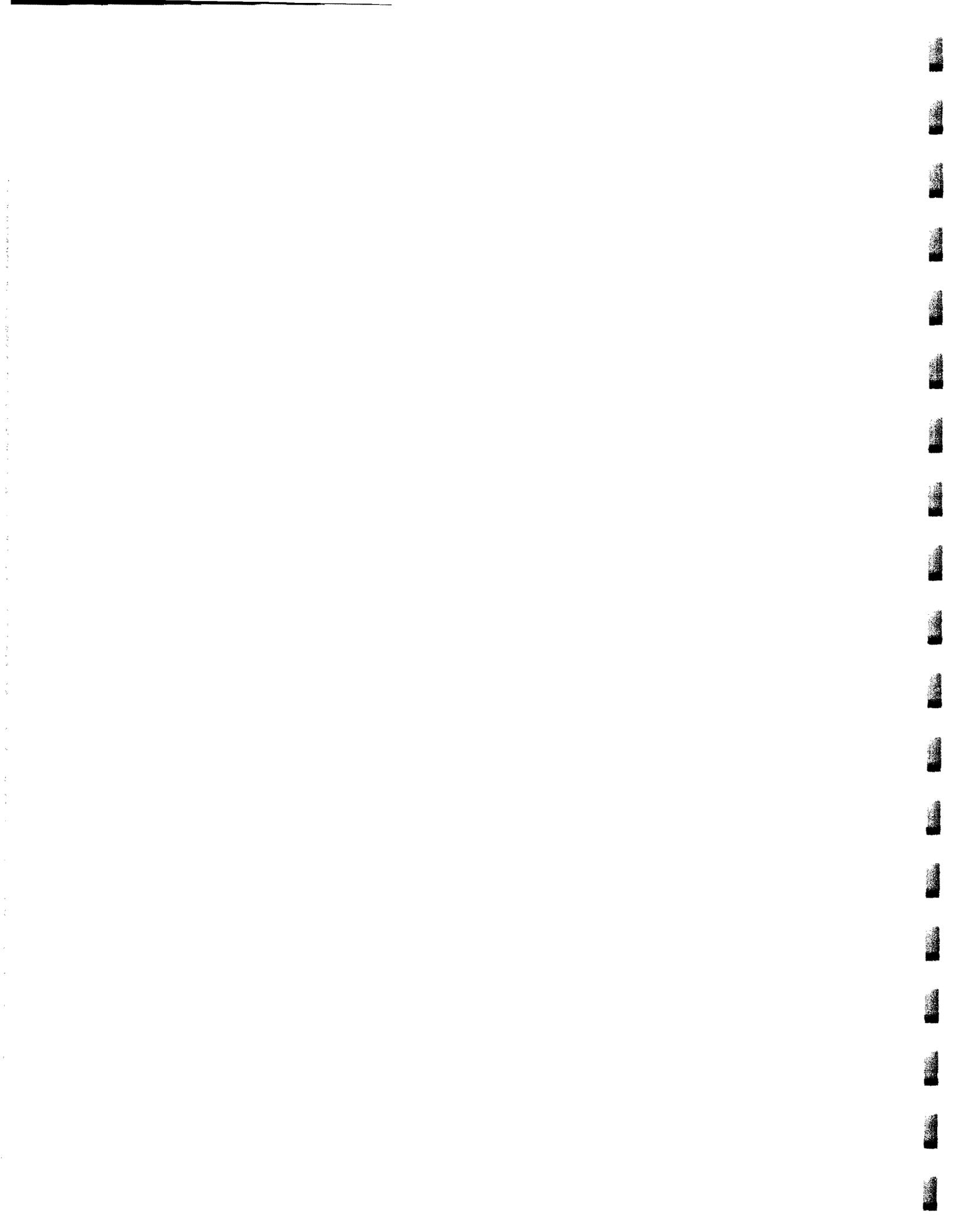


SCHEDULE I

TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF INVESTMENTS - ALL FUNDS  
AS OF SEPTEMBER 30, 2015

|   | <u>Deposit<br/>Amount</u> |
|---|---------------------------|
| Certificate of Deposit with Trustmark National Bank<br>Maturing 12/1/15, Rate 0.10% | \$ <u>226,118</u>         |
| Fund Recap:   |                           |
| Unemployment Compensation Fund  | \$ 4,212                  |
| Cemetery Fund   | 97,435                    |
| Water and Sewer Fund  | 68,413                    |
| Natural Gas Fund  | <u>56,058</u>             |
|   | \$ <u>226,118</u>         |

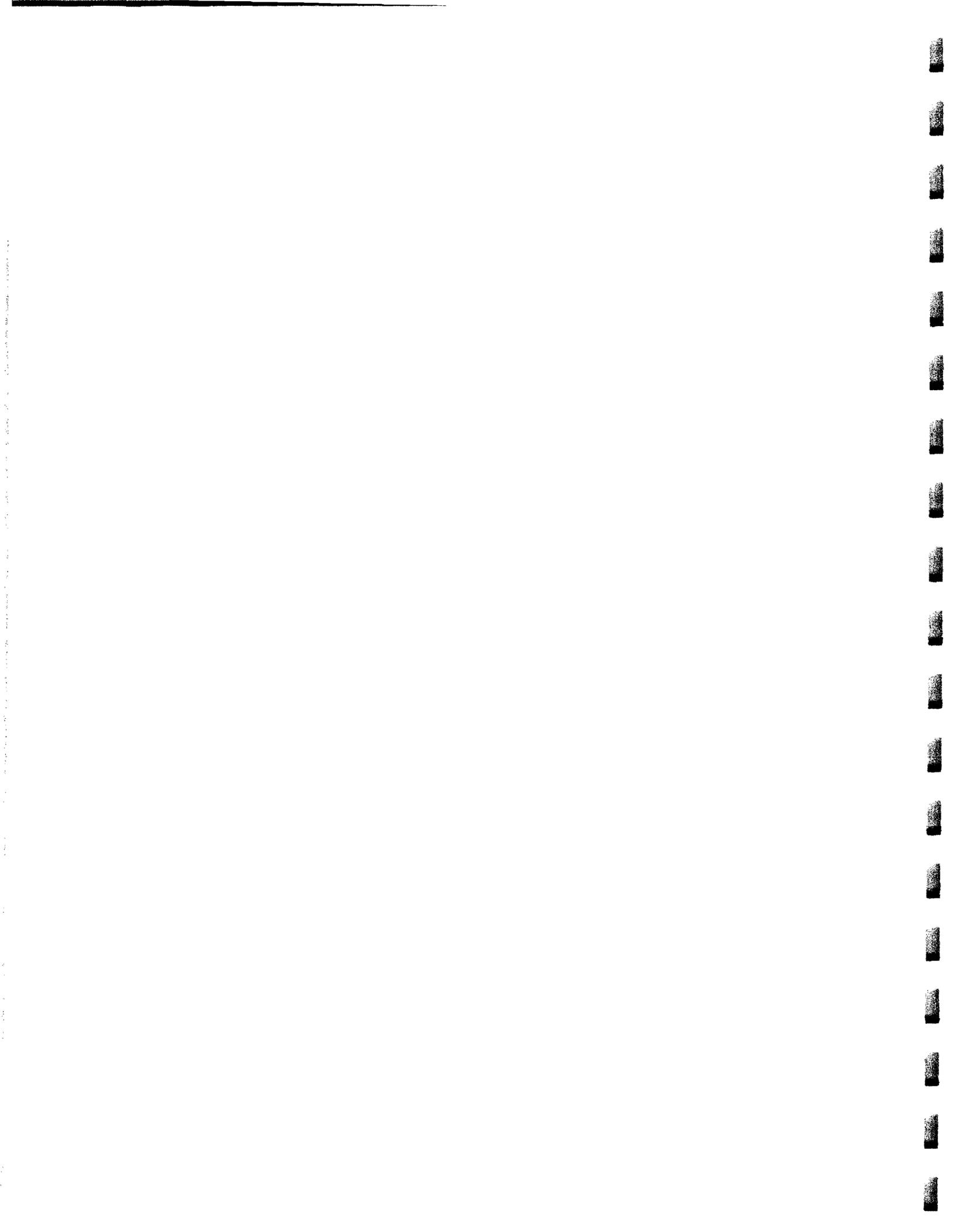


SCHEDULE II

TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

|  | <u>Balance<br/>Outstanding<br/>October 1,<br/>2014</u> | <u>Issued</u>   | <u>Redeemed</u>        | <u>Balance<br/>Outstanding<br/>September 30,<br/>2015</u> |
|--|--|-----------------|------------------------|---|
| Water and Sewer Fund:  |  |                 |                        |   |
| Mississippi Drinking Water Systems<br>Improvements Revolving Loan Fund | \$ 108,328   | -               | (13,580)               | 94,748  |
| Mississippi Drinking Water Systems<br>Improvements Revolving Loan Fund | 103,300  | -               | (11,877)               | 91,423  |
| Water Pollution Control Revolving<br>Loan Fund                         | \$ <u>183,705</u>                                      | <u>-</u>        | <u>(17,932)</u>        | <u>165,773</u>  |
| <b>Total</b>   | \$ <u><u>395,333</u></u>                               | <u><u>-</u></u> | <u><u>(43,389)</u></u> | <u><u>351,944</u></u>                                     |



**SCHEDULE III**

**TOWN OF GLOSTER, MISSISSIPPI**

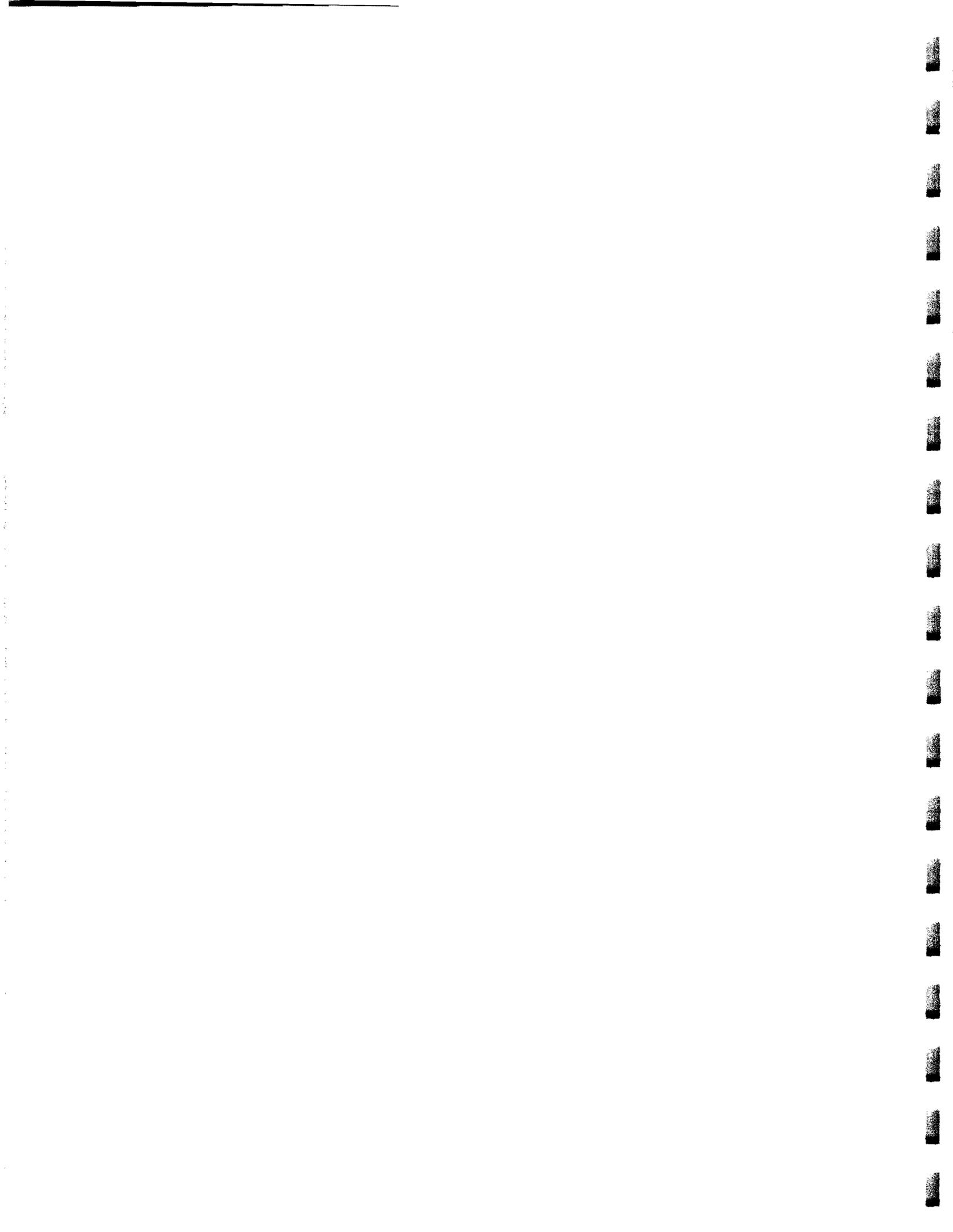
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
AS OF SEPTEMBER 30, 2015**

| <b><u>Name</u></b> | <b><u>Position</u></b>                | <b><u>Surety</u></b> | <b><u>Bond Amount</u></b> |
|--------------------|---------------------------------------|----------------------|---------------------------|
| Keisha Norwood     | Aldersperson                          | Travelers            | 50,000                    |
| Joyce Perkins      | Aldersperson                          | Travelers            | 50,000                    |
| Betty Ravencraft   | Aldersperson                          | Travelers            | 50,000                    |
| Fannie Tobias      | Aldersperson                          | Travelers            | 50,000                    |
| William Vallely    | Aldersperson                          | *                    | *                         |
| Billy Johnson      | Mayor                                 | Brierfield           | 50,000                    |
| Monzella M. Tickle | Town Clerk                            | Travelers            | 50,000                    |
| Juan Grey          | Police Chief                          | Travelers            | 50,000                    |
| Patricia T. Brown  | Deputy Clerk                          | Brierfield           | 50,000                    |
| Town of Gloster    | Miss. Dept. of Employment<br>Security | Brierfield           | 25,000                    |

\* Surety bond was not effective until November 9, 2015.

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SCHEDULE IV

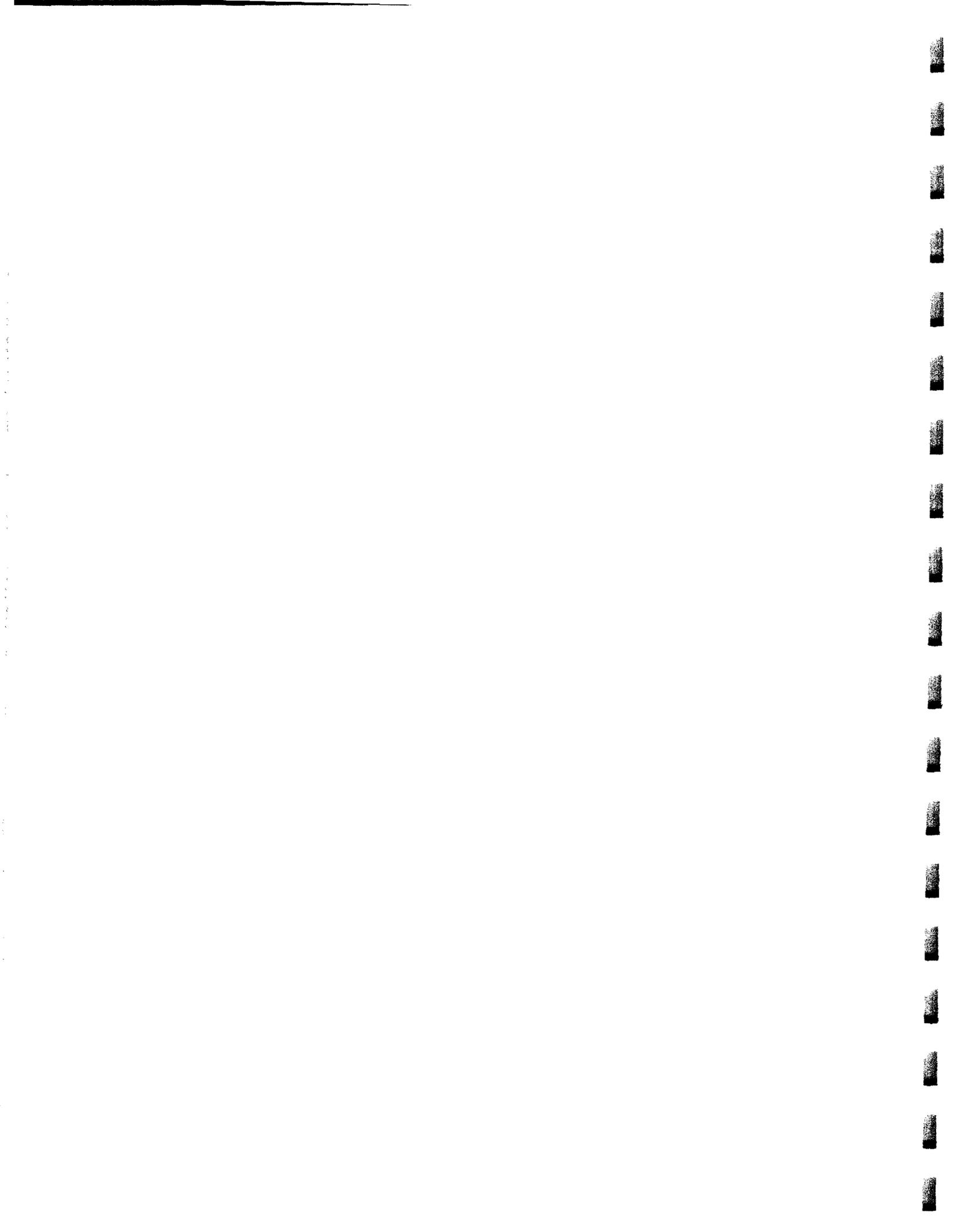
TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|---|---------------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>               |                              |                  |   |                           |
| Capital assets:                               |                              |                  |   |                           |
| Land  | \$ 143,910                   | -                | -   | 143,910                   |
| Buildings and improvements                    | 642,245                      | -                | -   | 642,245                   |
| Vehicles and machinery                        | 470,462                      | 33,895           | -   | 504,357                   |
| Infrastructure                                | 157,100                      | -                | 2,440,345                                 | 2,597,445                 |
| Construction in progress                      | <u>1,680,643</u>             | <u>759,702</u>   | <u>(2,440,345)</u>                        | <u>-</u>                  |
| Total governmental activities capital assets  | \$ <u>3,094,360</u>          | <u>793,597</u>   | <u>-</u>                                  | <u>3,887,957</u>          |
| <b>BUSINESS-TYPE ACTIVITIES:</b>              |                              |                  |   |                           |
| Capital assets:                               |                              |                  |   |                           |
| Land  | \$ 1,125                     | -                | -   | 1,125                     |
| Buildings                                     | 100,000                      | -                | -   | 100,000                   |
| Vehicles and machinery                        | 282,887                      | 8,960            | -   | 291,847                   |
| Water distribution system                     | 3,606,615                    | -                | -   | 3,606,615                 |
| Gas distribution system                       | 149,895                      | -                | -   | 149,895                   |
| Construction in progress                      | <u>-</u>                     | <u>-</u>         | <u>-</u>                                  | <u>-</u>                  |
| Total business-type activities capital assets | \$ <u>4,140,522</u>          | <u>8,960</u>     | <u>-</u>                                  | <u>4,149,482</u>          |



**STATE COMPLIANCE SECTION**





CPAs & Advisors

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

To the Honorable Mayor and Board of Alderpersons  
Town of Gloster, Mississippi

We have audited the financial statement of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Gloster, Mississippi for the year ended September 30, 2015, and have issued our report thereon dated February 2, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

The results of those procedures and our audit of the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed the following two instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

**2015-001 - Disbursements in Excess of Budget**

Criteria

Per Section 21-35-15, Miss. Code Ann. (1972), expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants.

Finding

The Town's actual disbursements exceeded its final approved budget for eight items as follows:

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|   | Variance-<br>Over<br><u>Budget</u> |
|---|------------------------------------|
| <u>General Fund:</u>                              |                                    |
| General Government - Personnel Services           | \$ 712                             |
| General Government - Other Services & Charges     | \$ 7,949                           |
| Public Works - Personnel Services                 | \$ 9,248                           |
| Public Works - Supplies                           | \$ 482                             |
| Public Works - Other Services & Charges           | \$ 314                             |
| Culture and Recreation - Other Services & Charges | \$ 574                             |
| <u>Natural Gas Fund:</u>                          |                                    |
| Supplies  | \$ 1,579                           |
| Other Services & Charges                          | \$36,939                           |

Recommendation

Those charged with governance should effectively monitor disbursements to ensure that the Town does not spend more than budgeted amounts.

Town's Response

The Town will closely monitor disbursements to prevent future budget violations.

**2015-002 - Surety Bond Coverage**

Criteria

Per Section 21-17-5, Miss. Code Ann. (1972), Unless otherwise provided by law, before entering upon the duties of their respective offices, the aldermen or councilmen of every municipality of this state shall give bond with sufficient surety.

Finding

Audit procedures identified one alderperson who did not have the required surety bond as of September 30, 2015.

Recommendation

Town management should secure sufficient surety for the alderperson noted above, as well as implement procedures to ensure that the appropriate surety bond coverage is in effect at all times.

Town's Response

The Town secured the required surety bond in the amount of \$50,000 on November 9, 2015. Town management will closely monitor surety bond coverage amounts to ensure that lapses in surety bond coverage do not occur in the future.



This report is intended for the information of the Town of Gloster, Mississippi's management, Honorable Mayor and Board of Alderpersons, and the Mississippi 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.

*Huddox Reid Eubank Betts PLLC*

February 2, 2016  
Jackson, Mississippi

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