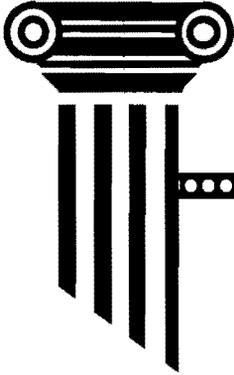




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TOWN OF GLOSTER
P. O. BOX 1019
GLOSTER, MS 39638

Billy Johnson, Mayor
Monzella Tickles, Town Clerk

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

RE: ANNUAL MUNICIPAL AUDIT

Accompanying this letter is a copy of the annual audit (compilation) of the Town of Gloster, Mississippi for the fiscal year ended September 30, 2014. In connection with this audit (compilation), a separate management letter was written to the Town. Enclosed you will find a copy of this management letter along with the audit (compilation) reports.

Sincerely,

Billy Johnson
Mayor

MAY 15 2015

TOWN OF GLOSTER, MISSISSIPPI

**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION**

AND

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

SEPTEMBER 30, 2014

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CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENT:	
Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities	4
Notes to Financial Statement	6
SUPPLEMENTARY INFORMATION:	
Schedule of Investments - All Funds	13
Schedule of Long-Term Debt	14
Schedule of Surety Bonds for Municipal Officials	15
Schedule of Capital Assets	16
STATE COMPLIANCE SECTION:	
Independent Auditor's Report on Compliance with State Laws and Regulations	17
SINGLE AUDIT SECTION:	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Summary Schedule of Prior Audit Findings	20
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	23
Schedule of Findings and Questioned Costs	25





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, 2014, and the related notes to the financial statement.

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 and the standards applicable to financial audits contained in *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 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 remaining fund information of the Town of Gloster, Mississippi for the year ended September 30, 2014 in accordance with the 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

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. Our opinions on the financial statement are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statement of the Town of Gloster, Mississippi. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statement. The 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 also not a required part of the basic financial statements.

The schedule of expenditures of Federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statement.



The schedules listed in the supplementary information section have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2015, on our consideration of the Town of Gloster, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Gloster, Mississippi's internal control over financial reporting and compliance.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2015



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TOWN OF GLOSTER, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	GOVERNMENTAL ACTIVITIES			
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
RECEIPTS:				
Taxes - Ad valorem	\$ 194,025	-	-	194,025
Penalties and interest on delinquent taxes	835	-	-	835
Franchise fees	22,681	-	-	22,681
Licenses and permits	13,691	-	-	13,691
Intergovernmental receipts	194,676	1,589,203	5,933	1,789,812
Charges for services:				
Sanitation	115,409	-	-	115,409
Water and sewer	-	-	-	-
Natural gas	-	-	-	-
Fines and forfeits	35,055	-	-	35,055
Interest	721	-	104	825
Litigation settlement	2,027,299	-	-	2,027,299
Other	40,304	-	325	40,629
Total receipts	<u>2,644,696</u>	<u>1,589,203</u>	<u>6,362</u>	<u>4,240,261</u>
DISBURSEMENTS:				
General government	141,758	-	-	141,758
Public safety	362,992	-	9,717	372,709
Public works	319,555	1,658,751	-	1,978,306
Court	14,421	-	-	14,421
Culture and recreation	4,826	-	-	4,826
Enterprises:				
Water and sewer	-	-	-	-
Natural gas	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total disbursements	<u>843,552</u>	<u>1,658,751</u>	<u>9,717</u>	<u>2,512,020</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,801,144</u>	<u>(69,548)</u>	<u>(3,355)</u>	<u>1,728,241</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
-	-	-
-	-	-
-	-	-
-	-	-
396,966	-	396,966
-	-	-
393,464	-	393,464
-	186,567	186,567
-	-	-
130	92	222
-	-	-
-	<u>781</u>	<u>781</u>
<u>790,560</u>	<u>187,440</u>	<u>978,000</u>
-	-	-
-	-	-
-	-	-
-	-	-
672,485	-	672,485
-	187,424	187,424
42,327	-	42,327
<u>10,135</u>	-	<u>10,135</u>
<u>724,947</u>	<u>187,424</u>	<u>912,371</u>
<u>65,613</u>	<u>16</u>	<u>65,629</u>

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TOWN OF GLOSTER, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	GOVERNMENTAL ACTIVITIES			
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
OTHER CASH SOURCES (USES):				
Interfund loans and transfers	\$ (131,337)	69,548	2,034	(59,755)
Utility deposits - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other cash sources (uses)	<u>(131,337)</u>	<u>69,548</u>	<u>2,034</u>	<u>(59,755)</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	1,669,807	-	(1,321)	1,668,486
CASH BASIS FUND BALANCE - Beginning of year	<u>125,871</u>	<u>-</u>	<u>113,457</u>	<u>239,328</u>
CASH BASIS FUND BALANCE - End of year	<u>\$ 1,795,678</u>	<u>-</u>	<u>112,136</u>	<u>1,907,814</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES

<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
(15,245)	75,000	59,755
<u>2,479</u>	<u>1,800</u>	<u>4,279</u>
<u>(12,766)</u>	<u>76,800</u>	<u>64,034</u>
52,847	76,816	129,663
<u>188,956</u>	<u>77,894</u>	<u>266,850</u>
<u>241,803</u>	<u>154,710</u>	<u>396,513</u>



TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014

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 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. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

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, 2014

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 CASH EQUIVALENTS

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, 2014:

	Unrestricted Cash and Certificates of Deposit	Restricted Cash and Certificates of Deposit	<u>Total</u>
Governmental activities:			
General Fund	\$ 1,789,543	6,135	1,795,678
Cemetery Fund	-	104,266	104,266
Fire Protection Fund	-	3,662	3,662
Unemployment Compensation Fund	-	4,208	4,208
Total governmental activities	<u>1,789,543</u>	<u>118,271</u>	<u>1,907,814</u>
Business-type activities:			
Water and Sewer Fund	205,407	36,396	241,803
Natural Gas Fund	<u>133,527</u>	<u>21,183</u>	<u>154,710</u>
Total business-type activities	<u>338,934</u>	<u>57,579</u>	<u>396,513</u>
Government-wide total	\$ <u>2,128,477</u>	<u>175,850</u>	<u>2,304,327</u>



TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits at September 30, 2014 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 2,078,452	2,087,727
Certificates of deposit	<u>225,875</u>	<u>225,875</u>
Total deposits	\$ <u>2,304,327</u>	<u>2,313,602</u>

The difference of \$9,275 was principally due to outstanding checks. Of the bank balance, \$475,875 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, 2014, \$1,837,727 of the Town's bank balance of \$2,313,602 was exposed to custodial credit risk as follows:

Collateralized by the state public funds:

Guaranty pool	\$ <u>1,837,727</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, 2014.



TOWN OF GLOSTER, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014**

NOTE 2 - CASH AND CASH EQUIVALENTS - 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, 2014, 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, 2014, annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ended <u>September 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 43,389	9,072
2016	44,480	7,982
2017	45,599	6,862
2018	46,749	5,712
2019	47,929	4,532
2020-2024	<u>167,187</u>	<u>6,745</u>
	<u>\$ 395,333</u>	<u>40,905</u>



TOWN OF GLOSTER, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014**

NOTE 4 - PROPERTY TAX

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, 2014 were approximately 95% of the total tax levy.

The tax rate levied by the Town for fiscal year 2014 was set at 36.00 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ <u>3.60</u>
--------------	----------------

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Public Employees' Retirement System

Plan Description and Provisions

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 or by calling (601) 359-3589 or 1-800-444-PERS.

Plan Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary. The Town of Gloster, Mississippi is required to contribute at an actuarially determined rate. The rate for the period October 1, 2013 - September 30, 2014 was 15.75%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Gloster, Mississippi's contribution to PERS for the years ended September 30, 2014, 2013, and 2012 were \$64,173, \$65,359 and \$57,158, respectively, equal to the required contributions for each year.



TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014

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	\$ 2,034
Loan	Capital Project Fund	General Fund	23,700
Loan Repayment	Natural Gas Fund	General Fund	75,000
Loan	Water and Sewer Fund	General Fund	30,603
Loan/Transfer	Capital Project Fund	Water and Sewer Fund	45,848

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.



TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2014

NOTE 8 - RISK MANAGEMENT - CONTINUED:

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 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 - LITIGATION SETTLEMENT

On November 8, 2013, the Town entered into a settlement agreement with the defendants in a matter stemming from a fire which destroyed a building and related property owned by the Town. The net settlement amount received by the Town in 2014 was \$2,027,299. In addition, the Town is expected to receive title to 33 acres of land owned by the defendant valued at \$297,000.

NOTE 10 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statement through April 27, 2015, the date the financial statement was approved by the Town's management and thereby available to be released.



SUPPLEMENTARY INFORMATION



TOWN OF GLOSTER, MISSISSIPPI

Schedule I

SCHEDULE OF INVESTMENTS - ALL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Deposit Amount</u>
Certificate of Deposit with Trustmark National Bank Maturing 12/1/14, Rate 0.10%	\$ <u>225,875</u>
Fund Recap:	
Unemployment Compensation Fund	\$ 4,208
Cemetery Fund	97,331
Water and Sewer Fund	68,339
Natural Gas Fund	<u>55,997</u>
	\$ <u>225,875</u>



TOWN OF GLOSTER, MISSISSIPPI

Schedule II

SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Balance Outstanding October 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding September 30, 2014</u>
<u>NOTES:</u>				
Water and Sewer Fund:				
Mississippi Drinking Water Systems Improvements Revolving Loan Fund	\$ 121,506	-	(13,178)	108,328
Mississippi Drinking Water Systems Improvements Revolving Loan Fund	114,827	-	(11,527)	103,300
Water Pollution Control Revolving Loan Fund	<u>201,327</u>	<u>-</u>	<u>(17,622)</u>	<u>183,705</u>
Total	\$ <u>437,660</u>	<u>-</u>	<u>(42,327)</u>	<u>395,333</u>



TOWN OF GLOSTER, MISSISSIPPI

Schedule III

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2014

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Eldon Hopf	Aldersperson	Brierfield	\$ 50,000
Keisha Norwood	Aldersperson	Travelers	50,000
Joyce Perkins	Aldersperson	Travelers	50,000
Betty Ravencraft	Aldersperson	Travelers	50,000
Fannie Tobias	Aldersperson	Travelers	50,000
Billy Johnson	Mayor	Brierfield	50,000
Monzella M. Tickle	Town Clerk	Travelers	50,000
Dandridge Brooks	Police Chief	Travelers	50,000
Patricia T. Brown	Deputy Clerk	Brierfield	50,000
Town of Gloster	Miss. Dept. of Employment Security	Brierfield	25,000



TOWN OF GLOSTER, MISSISSIPPI

Schedule IV

SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets:				
Land	\$ 143,910	-	-	143,910
Buildings and improvements	642,245	-	-	642,245
Vehicles and machinery	420,451	98,487	(48,476)	470,462
Infrastructure	157,100	-	-	157,100
Construction in progress	<u>91,440</u>	<u>1,589,203</u>	<u>-</u>	<u>1,680,643</u>
Total governmental activities capital assets	\$ <u>1,455,146</u>	<u>1,687,690</u>	<u>(48,476)</u>	<u>3,094,360</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets:				
Land	\$ 1,125	-	-	1,125
Buildings	100,000	-	-	100,000
Vehicles and machinery	255,239	27,648	-	282,887
Water distribution system	3,154,070	452,545	-	3,606,615
Gas distribution system	135,926	13,969	-	149,895
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities capital assets	\$ <u>3,646,360</u>	<u>494,162</u>	<u>-</u>	<u>4,140,522</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

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, 2014, and have issued our report thereon dated April 27, 2015. 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 no material instances of noncompliance with state laws and regulations.

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.

Haddox Reid Eubank Betts PLLC

April 27, 2015
Jackson, Mississippi

APR 27 2015



SINGLE AUDIT SECTION



TOWN OF GLOSTER, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor / Pass-Through Grantor / Program Title / <u>Grant Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development:			
Pass-through programs from:			
Mississippi Development Authority			
Community Development Block			
Grant/State Program and Non-Entitlement			
Grants in Hawaii			
KCDBG Project-Drax Biomass Int., Inc.	14.228	R-103-195-01-KED	2,064,751
CDBG Project-Wastewater Improvements	14.228	1130-13-195-PF-01	<u>391,966</u>
Total U.S. Department of Housing and Urban Development			<u>2,456,717</u>
Totals			<u>2,456,717</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.



TOWN OF GLOSTER, MISSISSIPPI

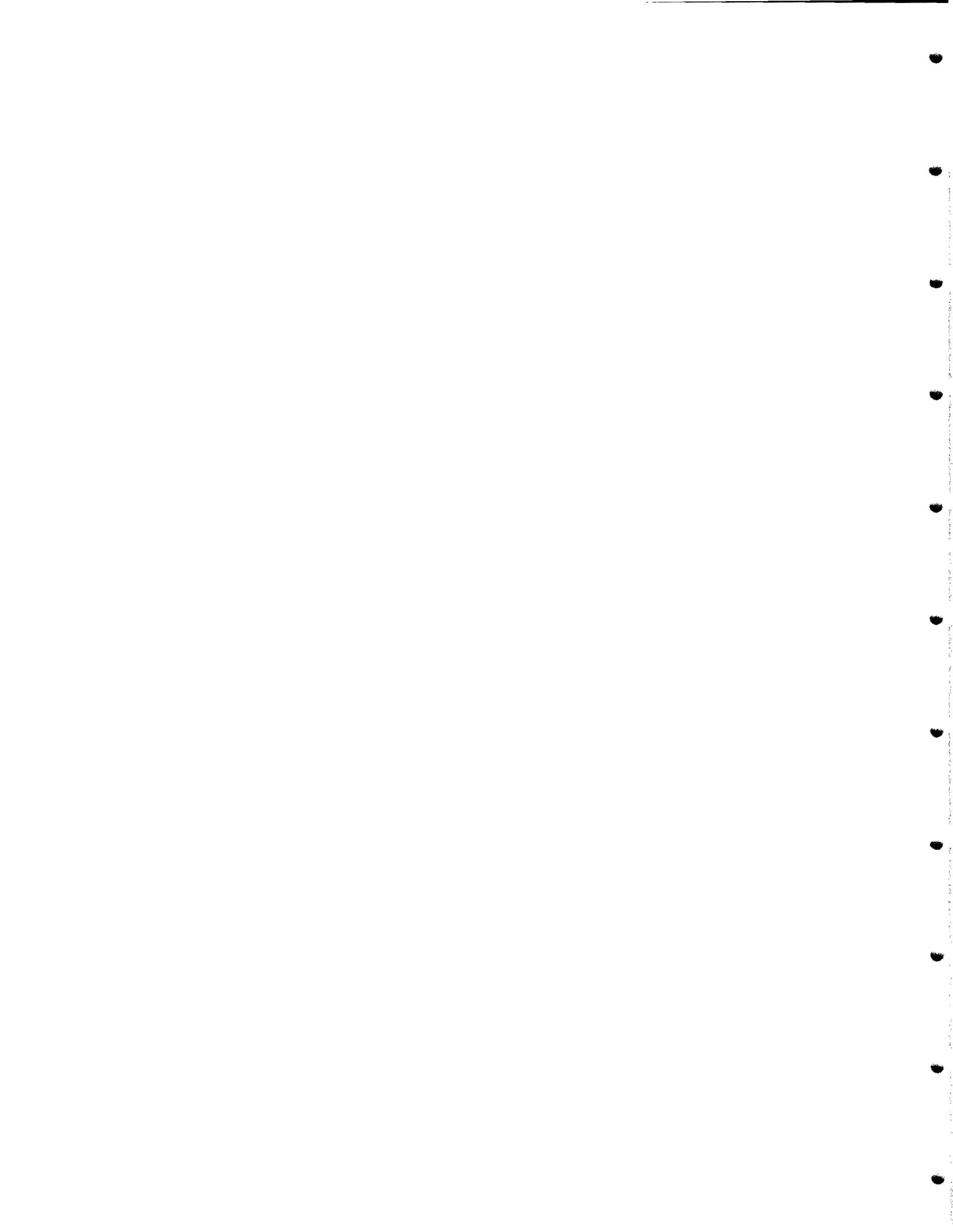
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal grant activity of the Town of Gloster, Mississippi under programs of the Federal government for the year ended September 30, 2014. 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*. Because the schedule presents only a selected portion of the operations of the Town of Gloster, Mississippi, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Gloster, Mississippi.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures presented on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.



TOWN OF GLOSTER, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2014

None.





CPAs & Advisors

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

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

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statement, which collectively comprise the Town of Gloster, Mississippi's basic financial statement and have issued our report thereon dated April 27, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town of Gloster, Mississippi's internal control over financial reporting (internal control) to determine the 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable



Internal Control over Financial Reporting - continued:

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. 2014-01.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. 2014-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gloster, Mississippi's financial statement is free from 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*.

Town of Gloster, Mississippi's Response to Findings

The Town of Gloster, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Gloster, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haddock Acid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2015





CPAs & Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Gloster, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Gloster, Mississippi's major Federal program for the year ended September 30, 2014. The Town of Gloster, Mississippi's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Gloster, Mississippi's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Gloster, 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the Town of Gloster, Mississippi's compliance.



Opinion on Each Major Federal Program

In our opinion, the Town of Gloster, Mississippi, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the Town of Gloster, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Gloster, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Gloster, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2015



TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statement of the Town of Gloster, Mississippi.
2. A material weakness and significant deficiency disclosed during the audit of the financial statements are reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the Town of Gloster, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major Federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133."
5. The auditor's report on compliance for the major Federal award programs for the Town of Gloster, Mississippi expresses an unmodified opinion on its major Federal program.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program is as follows:

<u>Program</u>	<u>Federal CFDA Number</u>
U.S. Department of Housing & Urban Development Community Development Block Grant/State Program and Non-Entitlement Grants in Hawaii	14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Gloster was not determined to be as a low-risk auditee.



TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2014

(2) FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2014-01 Audit Adjustments

Condition: 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 cash receipts and disbursements. (Repeat finding)

Criteria: The financial statement is the responsibility of the Town of Gloster, Mississippi. Therefore, all adjustments should be completed prior to the preparation of the financial statement.

Cause: The adjustments were necessary to correct account coding and misclassifications.

Effect: The Town of Gloster, Mississippi's cash receipts and disbursements were materially misstated prior to posting the audit adjustments.

Recommendation: We recommend the implementation of policies and procedures to ensure correct account coding for all cash receipts and disbursements.

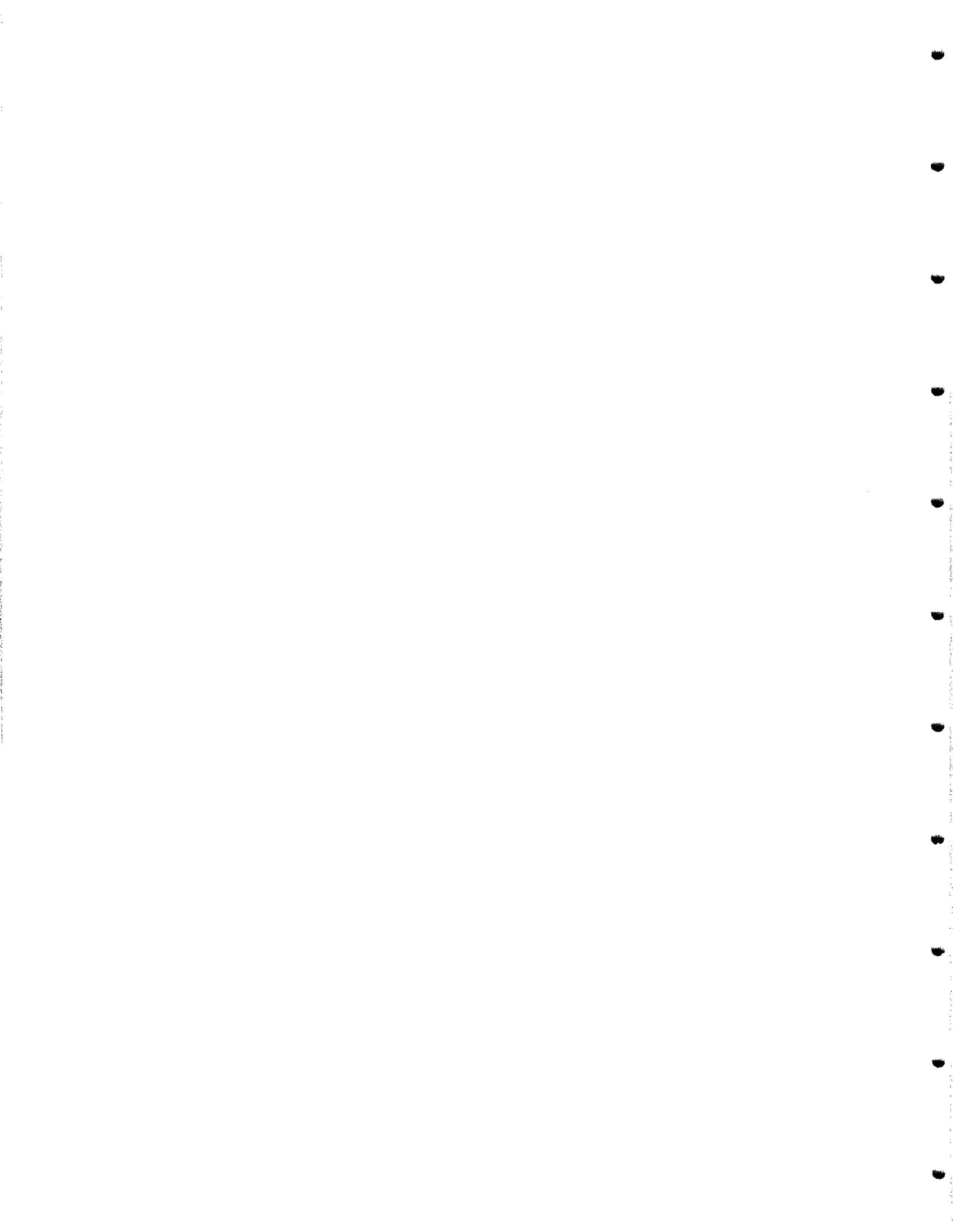
Views of Responsible Officials and Planned Corrective Action: Management will review all journal entries and coding of cash receipts and disbursements as necessary to ensure proper recording. Management will prepare a year-end closing checklist to determine all necessary adjustments are made to closing the books.

SIGNIFICANT DEFICIENCY

2014-02 Lack of Segregation of Duties

Condition: The Town of Gloster, Mississippi maintains an ineffective internal control structure over cash receipts and disbursements. Presently, a single individual prepares checks, reconciles bank accounts, performs all payroll duties, and maintains the general ledger. (Repeat finding)

Criteria: Duties should be segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible.



TOWN OF GLOSTER, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2014**

(2) FINDINGS - FINANCIAL STATEMENT AUDIT - CONTINUED:

SIGNIFICANT DEFICIENCY - CONTINUED:

2014-02 Lack of Segregation of Duties - continued:

Cause: The Town's limited staff results in a lack of segregation of duties.

Effect: The lack of segregation of duties over cash receipts disbursements could result in the loss or misappropriation of public funds.

Recommendation: The Town should implement an effective internal control structure that will properly segregate the duties over cash receipts and disbursements.

Views of Responsible Officials and Planned Corrective Action: Management will implement internal controls as feasible with available resources.

(3) FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

