

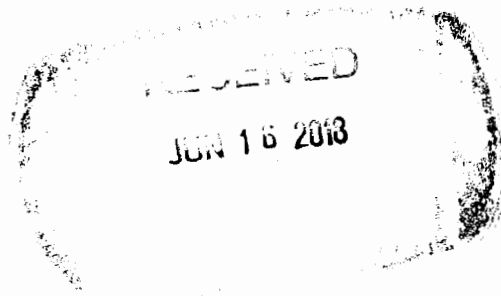


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TOWN OF GLOSTER, MISSISSIPPI

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

SEPTEMBER 30, 2017



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	3
Notes to Financial Statement	5
SUPPLEMENTARY INFORMATION:	
Schedule of Investments - All Funds	14
Schedule of Long-Term Debt	15
Schedule of Surety Bonds for Municipal Officials	16
Schedule of Capital Assets	17
STATE COMPLIANCE SECTION:	
Independent Auditor's Report on Compliance with State Laws and Regulations	18

JUN 16 2013

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Alderpersons of the
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, 2017, 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 fraud or error.

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 the 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, 2017 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 it.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2018

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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, 2017**

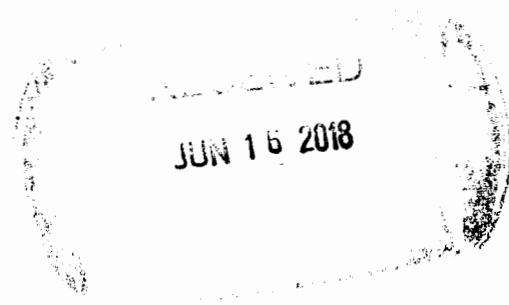
	GOVERNMENTAL ACTIVITIES		
	General Fund	Other Nonmajor Funds	Total
RECEIPTS:			
Taxes - Ad valorem	\$ 202,627	-	202,627
Penalties and interest on delinquent taxes	1,086	-	1,086
Franchise fees	18,332	-	18,332
Licenses and permits	2,362	-	2,362
Intergovernmental receipts:			
Sales tax	148,798	-	148,798
Capital grants	-	5,375	5,375
Operating grants	39,109	-	39,109
Other intergovernmental receipts	61,132	-	61,132
Charges for services:			
Sanitation	115,743	-	115,743
Water and sewer	-	-	-
Natural gas	-	-	-
Fines and forfeits	31,377	-	31,377
Interest	648	106	754
Other	40,219	525	40,744
Total receipts	<u>661,433</u>	<u>6,006</u>	<u>667,439</u>
DISBURSEMENTS:			
General government	169,473	-	169,473
Public safety	399,066	9,052	408,118
Public works	426,859	-	426,859
Court	14,420	-	14,420
Culture and recreation	5,085	-	5,085
Enterprises:			
Water and sewer	-	-	-
Natural gas	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total disbursements	<u>1,014,903</u>	<u>9,052</u>	<u>1,023,955</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(353,470)</u>	<u>(3,046)</u>	<u>(356,516)</u>

The accompanying notes are an integral part of this statement.

**BUSINESS-TYPE
ACTIVITIES**

Water and Sewer Fund	Natural Gas Fund	Total
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
508,816	-	508,816
-	775,236	775,236
-	-	-
355	5,557	5,912
-	680	680
<u>509,171</u>	<u>781,473</u>	<u>1,290,644</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
220,206	-	220,206
-	427,791	427,791
45,599	-	45,599
6,862	-	6,862
<u>272,667</u>	<u>427,791</u>	<u>700,458</u>
<u>236,504</u>	<u>353,682</u>	<u>590,186</u>

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TOWN OF GLOSTER, MISSISSIPPI

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	GOVERNMENTAL ACTIVITIES		
	General	Other	
	Fund	Nonmajor	Total
		Funds	
OTHER CASH SOURCES (USES):			
Interfund loans and transfers	\$ (4,076)	4,076	-
Utility deposits (refunds) - net	-	-	-
Total other cash sources (uses)	<u>(4,076)</u>	<u>4,076</u>	<u>-</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	(357,546)	1,030	(356,516)
CASH BASIS FUND BALANCE -			
Beginning of year	<u>1,376,132</u>	<u>115,217</u>	<u>1,491,349</u>
CASH BASIS FUND BALANCE -			
End of year	\$ <u>1,018,586</u>	<u>116,247</u>	<u>1,134,833</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES		
Water and Sewer Fund	Natural Gas Fund	Total
-	-	-
<u>355</u>	<u>(843)</u>	<u>(488)</u>
<u>355</u>	<u>(843)</u>	<u>(488)</u>
236,859	352,839	589,698
<u>539,004</u>	<u>1,178,192</u>	<u>1,717,196</u>
<u>775,863</u>	<u>1,531,031</u>	<u>2,306,894</u>

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

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 fund:

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.

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.

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.

TOWN OF GLOSTER, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017**

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, 2017:

	Unrestricted Cash and Certificates of Deposit	Restricted Cash and Certificates of Deposit	Total
Governmental activities:			
General Fund	\$ 1,015,482	3,104	1,018,586
Cemetery Fund	-	106,199	106,199
Fire Protection Fund	-	5,827	5,827
Unemployment Compensation Fund	-	4,221	4,221
Total governmental activities	<u>1,015,482</u>	<u>119,351</u>	<u>1,134,833</u>
Business-type activities:			
Water and Sewer Fund	736,506	39,357	775,863
Natural Gas Fund	<u>1,511,136</u>	<u>19,895</u>	<u>1,531,031</u>
Total business-type activities	<u>2,247,642</u>	<u>59,252</u>	<u>2,306,894</u>
Government-wide total	\$ <u>3,263,124</u>	<u>178,603</u>	<u>3,441,727</u>

Deposits at September 30, 2017 are summarized as follows:

	Reported Amount	Bank Balance
Cash	\$ 2,210,120	2,236,900
Certificates of deposit	<u>1,231,607</u>	<u>1,231,607</u>
Total deposits	\$ <u>3,441,727</u>	<u>3,468,507</u>

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TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

The difference of \$26,780 was principally due to outstanding checks. Of the bank balance, \$250,000 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 Treasurer manages the risk on behalf of the Town. As of September 30, 2017, \$3,218,507 of the Town's bank balance of \$3,468,507 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds Guaranty Pool: \$ 3,218,507

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, 2017.

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, 2017, the Town had no investments.

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

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 following:

- 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, 2017, 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>
2018	\$ 46,749	6,862
2019	47,929	4,532
2020	49,142	3,320
2021	50,386	2,075
2022	36,586	920
2023-2026	<u>31,074</u>	<u>432</u>
	\$ <u>261,866</u>	<u>18,141</u>

NOTE 4 - PROPERTY TAX

Property taxes for fiscal year 2017 were levied in September 2016 on the assessed valuation of property located in the Town of Gloster, Mississippi as of the preceding January 1, the lien

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 4 - PROPERTY TAX - CONTINUED:

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, 2017 were approximately 91% of the total tax levy.

The tax rate levied by the Town for fiscal year 2017 was set at 38.0 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ <u>3.80</u>
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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.

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 her accumulated member contributions plus interest. Upon withdrawal of contributions, a

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

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NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General information about the Pension Plan - continued:

Benefits provided - continued:

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 provision 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, 2017, the Town's total payroll for all employees was \$519,043. Total covered payroll was \$484,946. 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, 2017 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, 2017, 2016 and 2015 were \$76,379, \$71,085 and \$59,704, respectively, which equaled the required contributions for each year.

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

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	\$ 4,076

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

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 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.

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 8 - RISK MANAGEMENT - CONTINUED:

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 - CONCENTRATION OF UTILITY CUSTOMERS

Approximately 31% and 73% of the Town's fiscal year 2017 receipts for water/sewer sales and natural gas sales, respectively, are derived from one utility customer.

NOTE 10 - LESSOR GROUND LEASES

On April 16, 1997, the Town, as lessor, entered into an agreement with a commercial entity, the leasee, to lease grounds owned by the Town. The lease calls for an initial term of ten years commencing August 1, 1998. The leasee has five options to renew the lease, each for a period of five years for a total of an additional twenty-five years. The leasee has currently elected the second option to renew and the annual minimum future rentals are \$6,595 through July 31, 2018.

On April 29, 2013, the Town, as lessor, entered into an agreement with a commercial entity, the leasee, to lease grounds owned by the Town. The lease calls for an initial term of fifteen years commencing April 29, 2013. The leasee has two options to renew the lease, each for a period of five years for a total of an additional ten years. The annual minimum future rentals are \$8,000 through April 28, 2023 and \$9,000 for the period April 29, 2023 through April 28, 2028.

A summary of minimum future rental income on these leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>
2018	\$ 8,000
2019	8,000
2020	8,000
2021	8,000
2022	8,000
2023-2027	44,417
2028	<u>3,750</u>
Total minimum future rentals	\$ <u>88,167</u>

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 11 - TAX ABATEMENTS

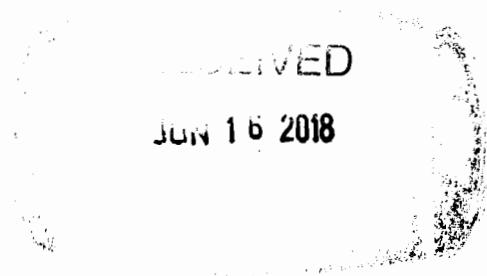
The Town has granted local businesses ad valorem tax exemptions as allowed under Section 27-31-105, Mississippi Code of 1972, as amended. Under applicable Sections of Mississippi Code of 1972, as amended, municipal authorities are authorized and empowered, in their discretion, to grant exemptions from ad valorem taxation to new enterprises or additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises as defined in Section 27-31-101 and Section 21-31-105, Mississippi Code of 1972, as amended.

For the fiscal year ended September 30, 2017, the Town abated ad valorem taxes for local businesses in the amount of \$434,955 as allowed by Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. The exemptions expire in fiscal year 2023.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end, the Town became aware of billing errors which resulted in net under billings during fiscal year 2017 and prior in the Natural Gas Fund and the Water and Sewer Fund in the amounts of approximately \$3,881 and \$89,366, respectively. Town management is currently working to correct the billing errors and any corrections will be reflected in the fiscal year 2018 billing receipts for the Natural Gas Fund and the Water and Sewer Fund.

The Town has evaluated subsequent events through April 27, 2018, the date the financial statement was approved by the Town's management and thereby available to be issued, and except as described above has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying financial statement.



SUPPLEMENTARY INFORMATION

SCHEDULE I**TOWN OF GLOSTER, MISSISSIPPI****SCHEDULE OF INVESTMENTS - ALL FUNDS****AS OF SEPTEMBER 30, 2017**

	<u>Deposit Amount</u>
Certificates of Deposit with Trustmark National Bank	
Maturing 11/26/17, Rate 0.10%	\$ 226,564
Maturing 4/12/19, Rate 1.20%	<u>1,005,043</u>
	\$ <u>1,231,607</u>
Fund Recap:	
Unemployment Compensation Fund	\$ 4,221
Cemetery Fund	97,627
Water and Sewer Fund	68,548
Natural Gas Fund	<u>1,061,211</u>
	\$ <u>1,231,607</u>

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SCHEDULE II**TOWN OF GLOSTER, MISSISSIPPI****SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Balance Outstanding October 1, 2016	Issued	Redeemed	Balance Outstanding September 30, 2017
Water and Sewer Fund:				
Mississippi Drinking Water Systems Improvements Revolving Loan Fund	\$ 80,755	-	(14,419)	66,336
Mississippi Drinking Water Systems Improvements Revolving Loan Fund	79,185	-	(12,610)	66,575
Water Pollution Control Revolving Loan Fund	<u>147,525</u>	<u>-</u>	<u>(18,570)</u>	<u>128,955</u>
Total	\$ <u>307,465</u>	<u>-</u>	<u>(45,599)</u>	<u>261,866</u>

SCHEDULE III**TOWN OF GLOSTER, MISSISSIPPI****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
AS OF SEPTEMBER 30, 2017**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Betty Green	Aldersperson	Western Surety Co	50,000
Michael McClain	Aldersperson	Brierfield	50,000
Inez V. Bell	Aldersperson	Western Surety Co	50,000
Patricia Monroe	Aldersperson	Western Surety Co	50,000
Tommie Lee, Sr.	Aldersperson	Brierfield	50,000
Jerry Norwood	Mayor	Western Surety Co	50,000
Monzella M. Tickle	Town Clerk	Brierfield	50,000
Terry Boss, Sr.	Police Chief	Brierfield	50,000
Patricia T. Brown	Deputy Clerk	Brierfield	50,000
Town of Gloster	Miss. Dept. of Employment Security	Brierfield	25,000

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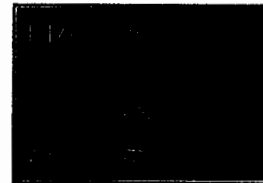
JUN 16 2018

SCHEDULE IV**TOWN OF GLOSTER, MISSISSIPPI****SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets:				
Land	\$ 143,910	-	-	143,910
Buildings and improvements	642,245	-	-	642,245
Vehicles and machinery	487,272	5,661	(30,762)	462,171
Infrastructure	2,597,445	166,878	-	2,764,323
Construction in progress	-	-	-	-
Total governmental activities capital assets	\$ <u>3,870,872</u>	<u>172,539</u>	<u>(30,762)</u>	<u>4,012,649</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets:				
Land	\$ 1,125	-	-	1,125
Buildings	100,000	-	-	100,000
Vehicles and machinery	313,858	-	-	313,858
Water distribution system	4,005,215	-	-	4,005,215
Gas distribution system	149,895	-	-	149,895
Construction in progress	-	-	-	-
Total business-type activities capital assets	\$ <u>4,570,093</u>	<u>-</u>	<u>-</u>	<u>4,570,093</u>

STATE COMPLIANCE SECTION

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JUN 16 2013



CPAs & Advisors

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

To the Honorable Mayor and Board of Alderpersons of the
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, 2017, and have issued our report thereon dated April 27, 2018. 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 instance of noncompliance with state laws and regulations. Our finding and recommendation and the Town's response is as follows:

2017-001 - 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 budgeted disbursements for four items as follows:

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Finding - continued:

General Fund:

General Government - Other Services & Charges	\$10,931
Public Works - Supplies	7,382

Natural Gas Fund:

Supplies	\$ 1,051
Other Services & Charges	10,161

Recommendation

Management and those charged with governance should establish controls necessary to effectively monitor expenditures to ensure that the Town does not spend more than budgeted amounts.

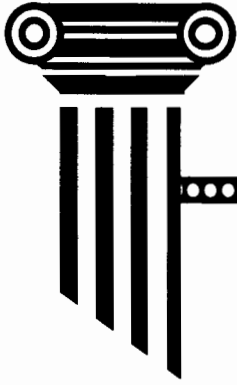
View of Responsible Officials and Planned Corrective Action

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

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.

Hudson Reid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2018



TOWN OF GLOSTER

P. O. BOX 1019
GLOSTER, MS 39638

Jerry Norwood, Mayor
Monzella Tickles, Town Clerk

July 3, 2018

Mississippi Office of the State Auditor
501 N. West St., #801
Jackson, Mississippi 39201

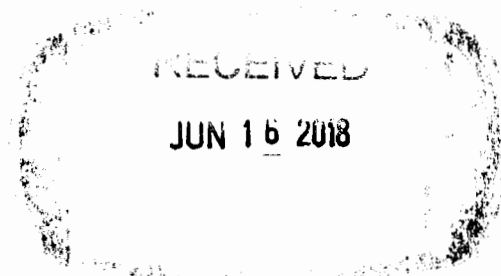
RE: AUDIT FOR FISCAL YEAR 2017

Enclosed please find (2) two copies of the Financial Statement and Supplementary Information and Report of Independent Certified Public Accountants for the fiscal year 2017 for the Town of Gloster.

Thanking you in advance for your time.

Sincerely yours,

Monzella Tickles
Town Clerk



To the Honorable Mayor and Board of Alderpersons of the
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, 2017, 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 certain deficiencies in internal control that we consider to be material weaknesses 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 five deficiencies in the Town of Gloster's internal control to be material weaknesses:

1. 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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JUN 10 2018

2. During our routine tests of utility billings, we found 9 instances where incorrect natural gas rates had been used. It is our understanding this situation resulted from an error in the Town's billing software. The incorrect natural gas rates resulted in the Town over billing a commercial customer by an estimated \$9,633 during the period January 2017 through September 2017. We recommend that management and the Board of the Town determine whether the Town will refund the over billings and spread the official determination on the Board minutes. We also recommend that management establish controls necessary to prevent incorrect rates from being used in the future.
3. During our routine tests of utility billings, we determined that the Town was not billing a commercial customer for sewer services provided. The commercial customer was provided services starting in September 2015, but the Town did not start billing for the services until the January 2017 billings. It is our understanding that the Town had previously concluded that the customer was responsible for disposing of its own sewage as a result of EPA regulations and therefore sewer was not billed to the customer. The Town determined in January 2017 that the customer was in fact being provided sewer services and billing was started beginning with that month. The Town's determination made in January 2017 with respect to the commercial customer resulted in prior under billings of sewer services estimated to be \$89,366. We recommend that management and the Board of the Town determine whether the Town is allowed to bill for the under billings and spread the official determination on the Board minutes. We also recommend that management establish controls necessary to prevent this error in the future.
4. During our routine tests of utility billings, we found 9 instances where incorrect sales tax rates were being used for a commercial customer on natural gas services billed. It is our understanding that the Town incorrectly concluded that the commercial customer should be billed at a lower rate. The error resulted in the Town under billing the commercial customer by an estimated \$13,514 in sales tax which subsequently led to the Town submitting the incorrect sales tax amount to the Department of Revenue. We recommend that management bill the commercial customer for the under billed sales taxes and remit the amount received to the Department of Revenue. We also recommend that management establish controls necessary to prevent incorrect sales tax rates from being used in the future.
5. Our Independent Auditor's Report on Compliance with State Laws and Regulations disclosed a finding related to disbursements in excess of budget for fiscal year 2017. We recommend that management establish controls necessary to prevent future disbursements in excess of budget.

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JUN 10 2013

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 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
April 27, 2018

JUN 10 2013

GENERAL COMMENT AND SUGGESTION

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

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gloster, Mississippi as of and for the year ended September 30, 2017, we noted a certain operational matter that is presented for your consideration. This letter does not affect our report dated April 27, 2018 on the financial statement of the Town of Gloster, Mississippi. We will review the status of this comment during our next audit engagement. Our comment and recommendation has been discussed with the appropriate members of management. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study on the matter, or assist you in implementing the recommendation. Our comment is summarized as follows:

For the past three fiscal years (2015-2017) the Town has generated surplus funds in its Water Sewer Fund and Natural Gas Fund. The surpluses generated and ending cash balances for these years are detailed in the attachment. In accordance with an opinion issued by the Office of the Attorney General for the State of Mississippi (MS AG Opinion No. 2008-00411), "the governing authorities should make a good faith effort to estimate the costs of operating the electric and water/sewer systems and then should set the rates so that revenues generated for each system should not be a profit making venture. Additionally, if the rates being charged to municipal customers are consistently higher than needed to satisfy all the expenses of the system, the municipal governing authorities should reduce the rates so that there is no surplus created."

Recommendation

The Town should determine an amount necessary to provide for the creation and maintenance of a cash working fund and a reserve fund to be used for replacement, extension of systems and emergencies for both the Water Sewer Fund and Natural Gas Fund. Once the amount required for the cash working fund and reserve fund has been funded for the Water Sewer Fund and Natural Gas Fund, the rates charged to customers should be reduced so a surplus is not produced.

This letter 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 those specified parties.

Hardox Reid Eubank Betts PLLC

Jackson, Mississippi
April 27, 2018

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JUN 16 2018

Town of Gloster
Historic Surpluses Generated by Utility Funds

WATER & SEWER FUND

	<u>FY 2015</u>
Receipts	420,121.00
Disbursements	<u>(273,015.00)</u>
Surplus	<u>147,106.00</u>

Beginning Cash	<u>241,803.00</u>
Ending Cash	<u>388,909.00</u>

	<u>FY 2016</u>
Receipts	840,817.00
Disbursements	<u>(690,722.00)</u>
Surplus	<u>150,095.00</u>

Beginning Cash	<u>388,909.00</u>
Ending Cash	<u>539,004.00</u>

	<u>FY 2017</u>
Receipts	509,526.00
Disbursements	<u>(272,667.00)</u>
Surplus	<u>236,859.00</u>

Beginning Cash	<u>539,004.00</u>
Ending Cash	<u>775,863.00</u>

NATURAL GAS FUND

	<u>FY 2015</u>
Receipts	547,774.00
Disbursements	<u>(257,481.00)</u>
Surplus	<u>290,293.00</u>

	<u>154,710.00</u>
	<u>445,003.00</u>

	<u>FY 2016</u>
Receipts	1,094,956.00
Disbursements	<u>(361,767.00)</u>
Surplus	<u>733,189.00</u>

	<u>445,003.00</u>
	<u>1,178,192.00</u>

	<u>FY 2017</u>
Receipts	781,473.00
Disbursements	<u>(428,634.00)</u>
Surplus	<u>352,839.00</u>

	<u>1,178,192.00</u>
	<u>1,531,031.00</u>

April 27, 2018

To the Honorable Mayor and Board of Alderpersons of the
Town of Gloster
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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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JUN 18 2018

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Gloster, Mississippi are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the

To the Honorable Mayor and Board of Alderpersons
April 27, 2018
Page Two

Significant Audit Findings - continued:

Corrected and Uncorrected Misstatements - continued:

appropriate level of management. See the attached list of proposed adjustments for misstatements detected as a result of our audit procedures. Management has corrected all misstatements detected as a result of audit procedures. The following material misstatements detected as a result of audit procedures were corrected by management:

General Fund - AJE 1.
Fire Protection Fund - AJE 1.
Water and Sewer Fund - AJE's 1, 3, and 4.
Natural Gas Fund - AJE 3.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We detected one finding as a result of audit procedures related to compliance with state laws and regulations. The finding is discussed in our Independent Auditor's Report on Compliance with State Laws and Regulations.

To the Honorable Mayor and Board of Alderpersons
April 27, 2018
Page Three

Significant Audit Findings - continued:

Other Audit Findings or Issues - continued:

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the schedules included in the supplementary information section, which accompany the financial statements but are not RSI. 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 it.

Restriction on Use

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

Very truly yours,

Haddox Reid Eubank Betts PLLC

JUN 10 2013

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.001 - General Fund Database
Workpaper: 1500.001 - General Fund AJE report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to adjust for voided checks				
001-000-002	GENERAL FUND - CASH		9,406.00	
001-040-500	OFFICE SUPPLIES		150.00	
001-040-500	OFFICE SUPPLIES		175.00	
001-100-535	UNIFORMS/PROTECTIVE CLOTH		705.91	
001-000-100	ACCOUNTS PAYABLE			10,436.91
Total			10,436.91	10,436.91
Adjusting Journal Entries JE # 2				
To reclass dtf balance to proper account.				
001-000-053	FIRE PROTECTION FUND	4401	4,075.69	
001-000-102	DUE TO OTHER FUNDS			4,075.69
Total			4,075.69	4,075.69
Adjusting Journal Entries JE # 3				
Entry to adjust for bank error receivable				
001-000-002	GENERAL FUND - CASH		191.18	
001-000-115	BANK ERROR			191.18
Total			191.18	191.18
Total Adjusting Journal Entries			14,703.78	14,703.78
Total All Journal Entries			14,703.78	14,703.78

2013

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2017 - Town of Gloster, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.100 - Unemployment Compensation Fund Database
 Workpaper: 1500.100 - Unemployment Compensation AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries

Adjusting Journal Entries JE # 1

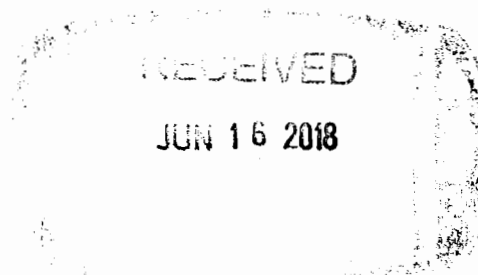
To accrue interest on CD

2005

100-000-065	INVESTMENTS		4.16	
100-000-340	INTEREST EARNED			4.16
Total			<u>4.16</u>	<u>4.16</u>
Total Adjusting Journal Entries			<u>4.16</u>	<u>4.16</u>
Total All Journal Entries			<u>4.16</u>	<u>4.16</u>

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2017 - Town of Gloster, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.105 - Fire Protection Fund Database
 Workpaper: 1500.105 - Fire Protection AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To adjust AP balance to actual				
105-000-135	DUE TO ACCOUNTS PAYABLE		4,975.85	
105-000-100	FIRE - ACCOUNTS PAYABLE			4,975.85
Total			<u>4,975.85</u>	<u>4,975.85</u>
Total Adjusting Journal Entries				
			<u>4,975.85</u>	<u>4,975.85</u>
Total All Journal Entries				
			<u>4,975.85</u>	<u>4,975.85</u>



Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.400 - Water and Sewer Fund Database
Workpaper: 1500.400 - Water and Sewer AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To post PY entries not posted by client				
400-000-190	FUND BALANCE		34,778.37	
400-000-104	DUE TO PAYROLL CLEARING			34,778.37
Total			<u>34,778.37</u>	<u>34,778.37</u>
Adjusting Journal Entries JE # 2				
Entry to correct voided checks entry posted by client.				
400-650-525	P.U. REV. GAS & MOTOR OIL		12.12	
400-650-616	P.U. REV. FEES, DUES, SUBS		220.50	
400-000-100	ACCOUNTS PAYABLE			232.62
Total			<u>232.62</u>	<u>232.62</u>
Adjusting Journal Entries JE # 3				
Entry to reclass debt payments to correct account.				
400-650-699	DEBTS RETIRED		8,743.52	
400-650-722	PU REV-DEBT SRV			8,743.52
Total			<u>8,743.52</u>	<u>8,743.52</u>
Adjusting Journal Entries JE # 4				
Entry to reclass interest expense out of principal payments				
400-650-607	Interest Expense	5002	6,861.88	
400-650-699	DEBTS RETIRED			6,861.88
Total			<u>6,861.88</u>	<u>6,861.88</u>
Adjusting Journal Entries JE # 5				
To accrue interest on CDs				
400-000-014	WATER DEPOSITS INVESTMENT	2005	52.53	
400-000-062	INVESTMENTS		15.03	
400-000-340	INTEREST EARNED			67.56
Total			<u>67.56</u>	<u>67.56</u>
Total Adjusting Journal Entries			<u>50,683.95</u>	<u>50,683.95</u>
Total All Journal Entries			<u>50,683.95</u>	<u>50,683.95</u>

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.401 - Natural Gas Fund Database
Workpaper: 1500.401 - Natural Gas Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To post prior year entries not posted by client				
401-000-190	FUND BALANCE		43.50	
401-000-100	ACCOUNTS PAYABLE			43.50
Total			<u>43.50</u>	<u>43.50</u>
Adjusting Journal Entries JE # 2				
To correct voided check entry posted by client				
401-651-605	COMMUNICATIONS		12.16	
401-000-100	ACCOUNTS PAYABLE			12.16
Total			<u>12.16</u>	<u>12.16</u>
Adjusting Journal Entries JE # 3				
To record Gas for resale purchase to correct account. Found by examining the GL				
401-651-660	GAS FOR RESALE		26,415.96	
401-651-600	PROFESSIONAL SERVICE			26,415.96
Total			<u>26,415.96</u>	<u>26,415.96</u>
Adjusting Journal Entries JE # 4				
To accrue interest on CDs				
401-000-014	GAS DEPOSITS INVESTMENTS		50.71	
401-000-015	GAS INVESTMENTS		4.64	
401-000-063	INVESTMENT-C.D./T.BILL		5,042.72	
401-000-340	INTEREST EARNED			5,098.07
Total			<u>5,098.07</u>	<u>5,098.07</u>
Total Adjusting Journal Entries			<u>31,569.69</u>	<u>31,569.69</u>
Total All Journal Entries			<u>31,569.69</u>	<u>31,569.69</u>

2005

SEP 16 2013

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2017 - Town of Gloster, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.606 - Cemetery Fund Database
 Workpaper: 1500.606 - Cemetery Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to accrue interest on CD				
606-000-062	CEM. INVESTMENTS		96.22	
606-000-340	CEM PER/CARE INTEREST			96.22
Total			96.22	96.22
Total Adjusting Journal Entries				
Total All Journal Entries				
			96.22	96.22

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JUN 16 2018

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.610 - Accounts Payable Clearing Fund Database
Workpaper: 1500.610 - Accounts Payable Clearing AJE Report
Account Description

W/P Ref Debit Credit

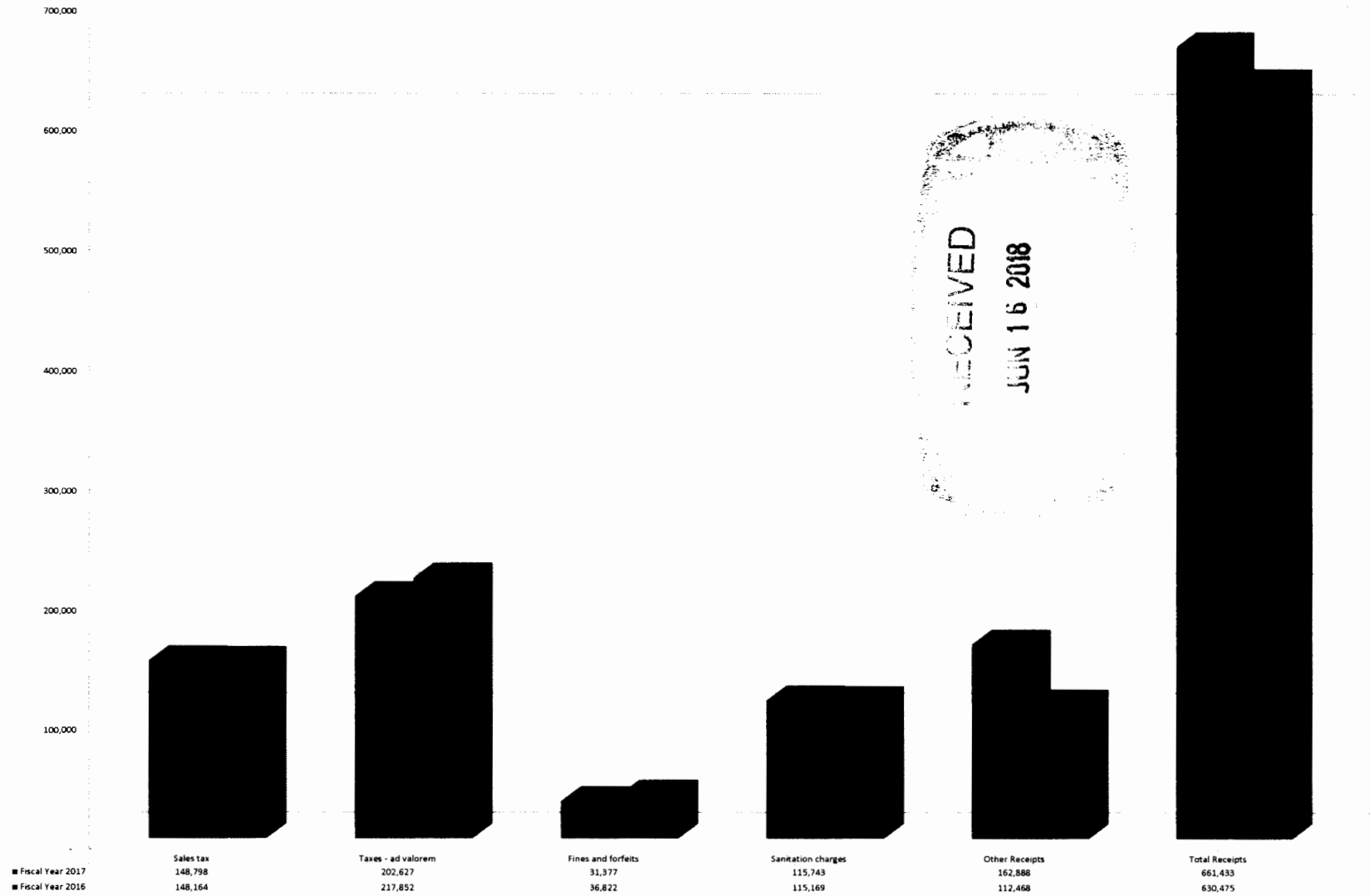
Adjusting Journal Entries

Adjusting Journal Entries JE # 1

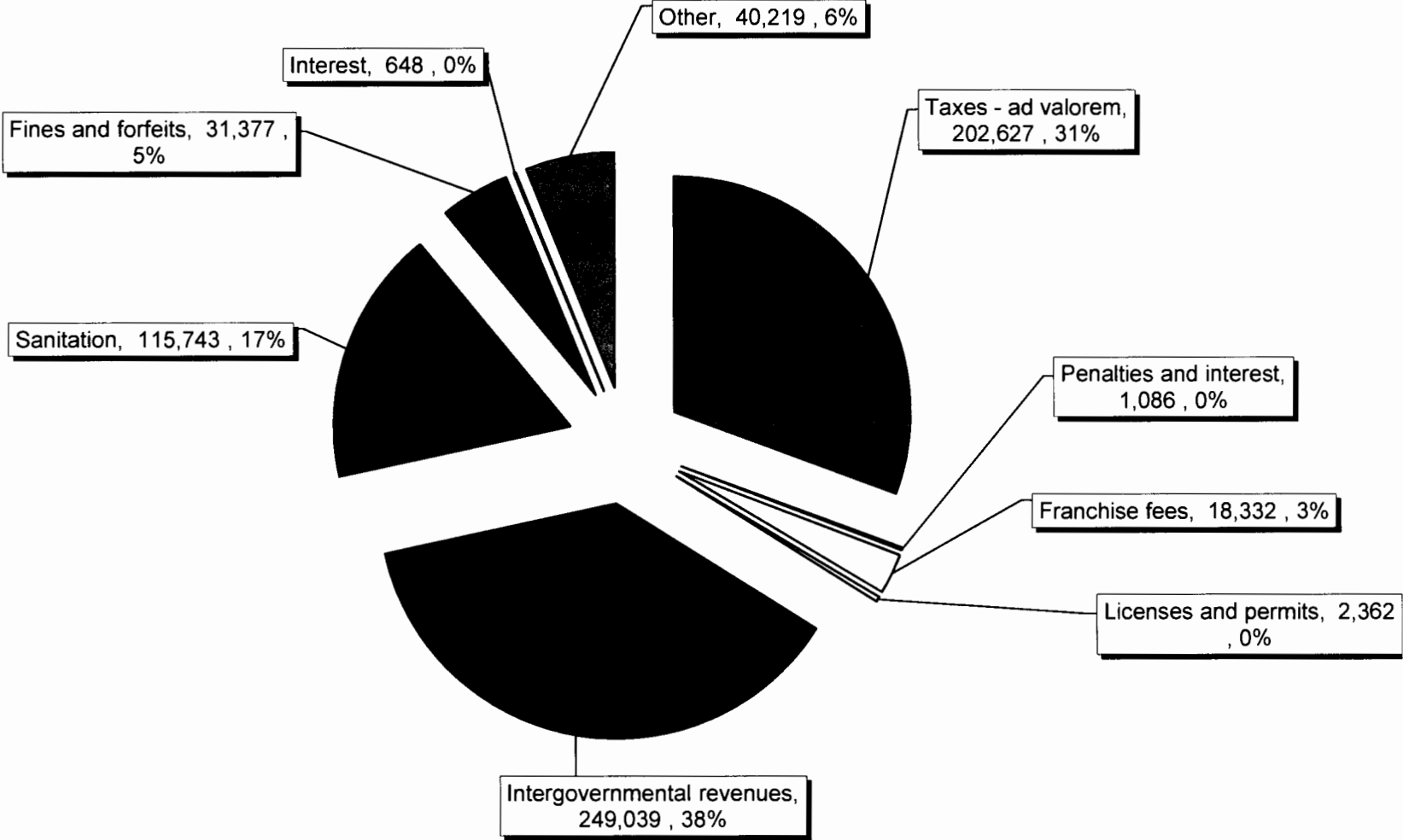
To adjust DTF accounts to actual at 9.30.17

610-000-050	DUE FROM OTHER FUNDS		2,381.76	
610-000-002	CASH IN BANK A/P CLEARING			2,381.76
Total			<u>2,381.76</u>	<u>2,381.76</u>
Total Adjusting Journal Entries			<u>2,381.76</u>	<u>2,381.76</u>
Total All Journal Entries			<u>2,381.76</u>	<u>2,381.76</u>

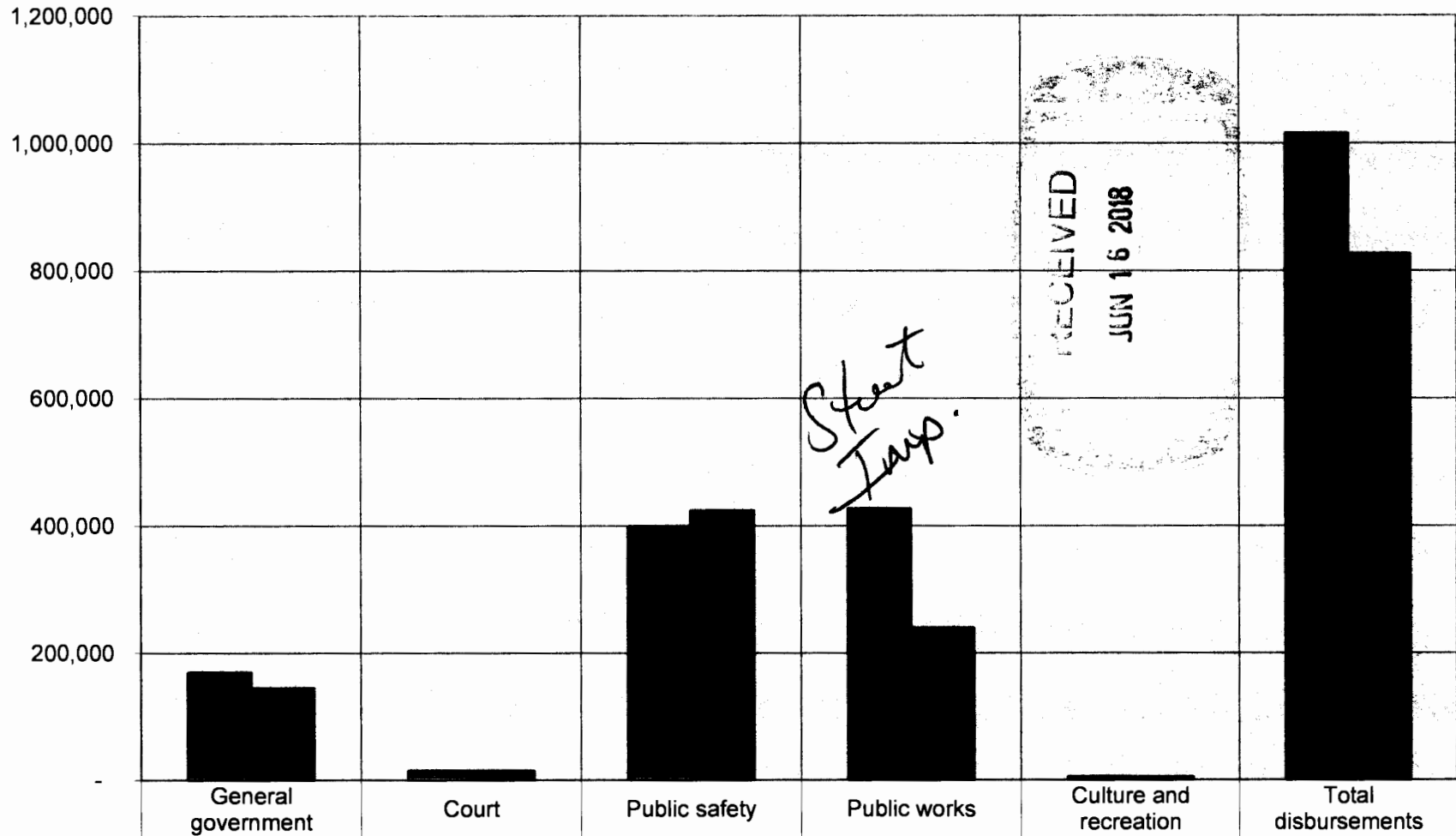
GENERAL FUND RECEIPT COMPARISON BY MAJOR CATEGORY



FISCAL YEAR 2017- COMPONENTS OF GENERAL FUND RECEIPTS

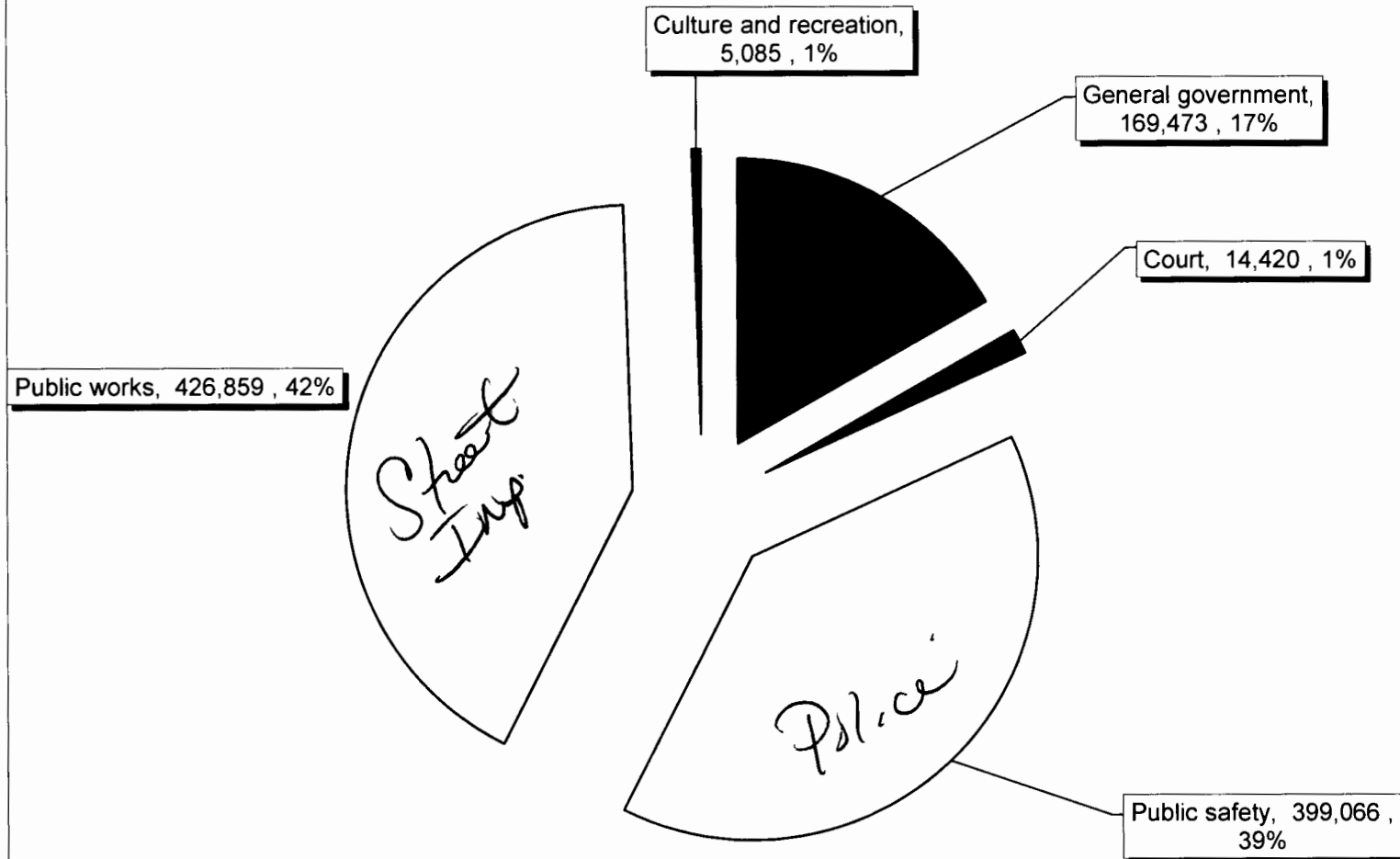


GENERAL FUND DISBURSEMENT COMPARISON



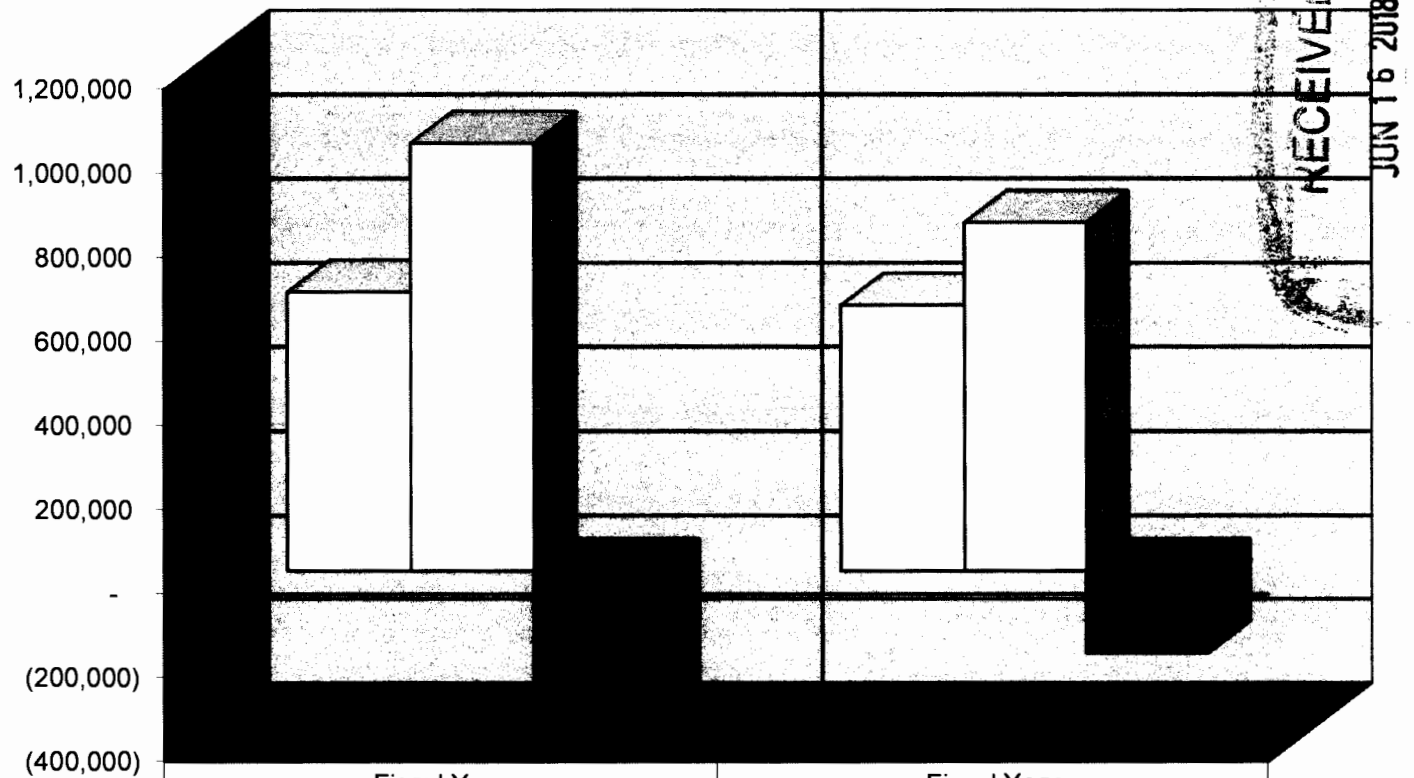
■ 2017 Fiscal Year	169,473	14,420	399,066	426,859	5,085	1,014,903
■ 2016 Fiscal Year	144,472	14,420	423,756	239,513	4,398	826,559

FISCAL YEAR 2017 GENERAL FUND DISBURSEMENTS BY DEPARTMENT



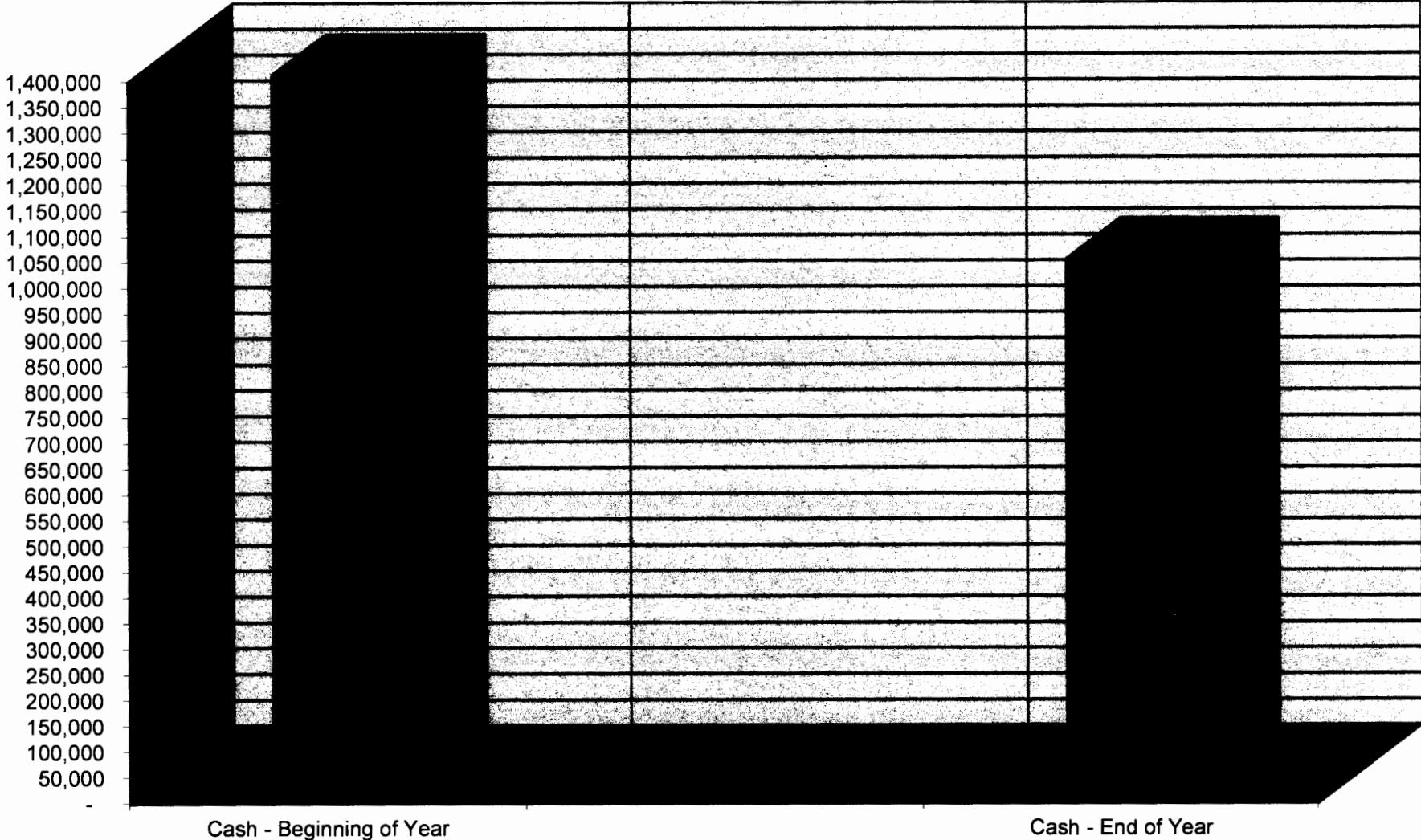
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GENERAL FUND RECEIPTS OVER (UNDER) DISBURSEMENTS

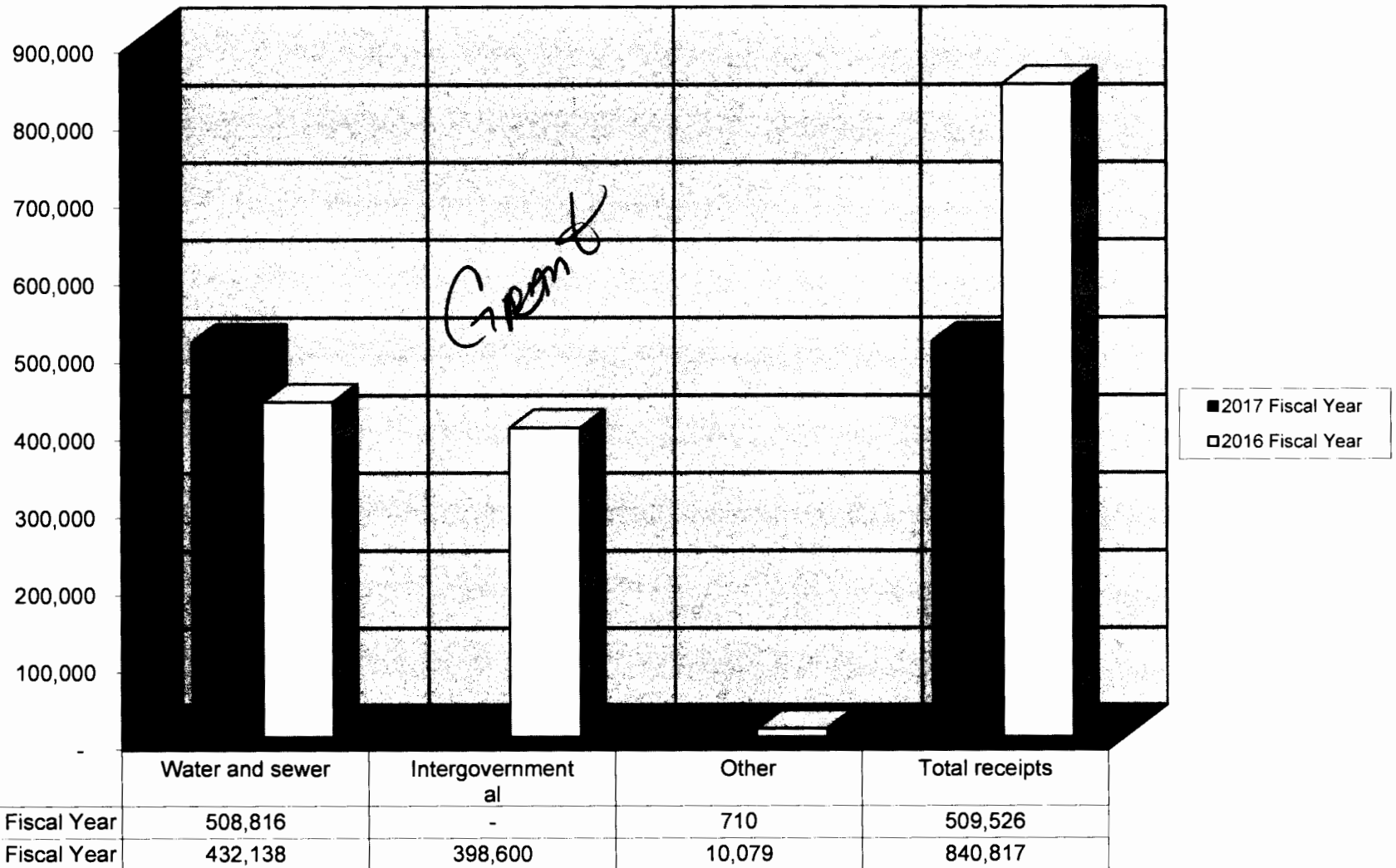


	Fiscal Year 2017	Fiscal Year 2016
□ Total receipts	661,433	630,475
□ Total disbursements	1,014,903	826,559
■ Receipts over (under) disbursements	(353,470)	(196,084)

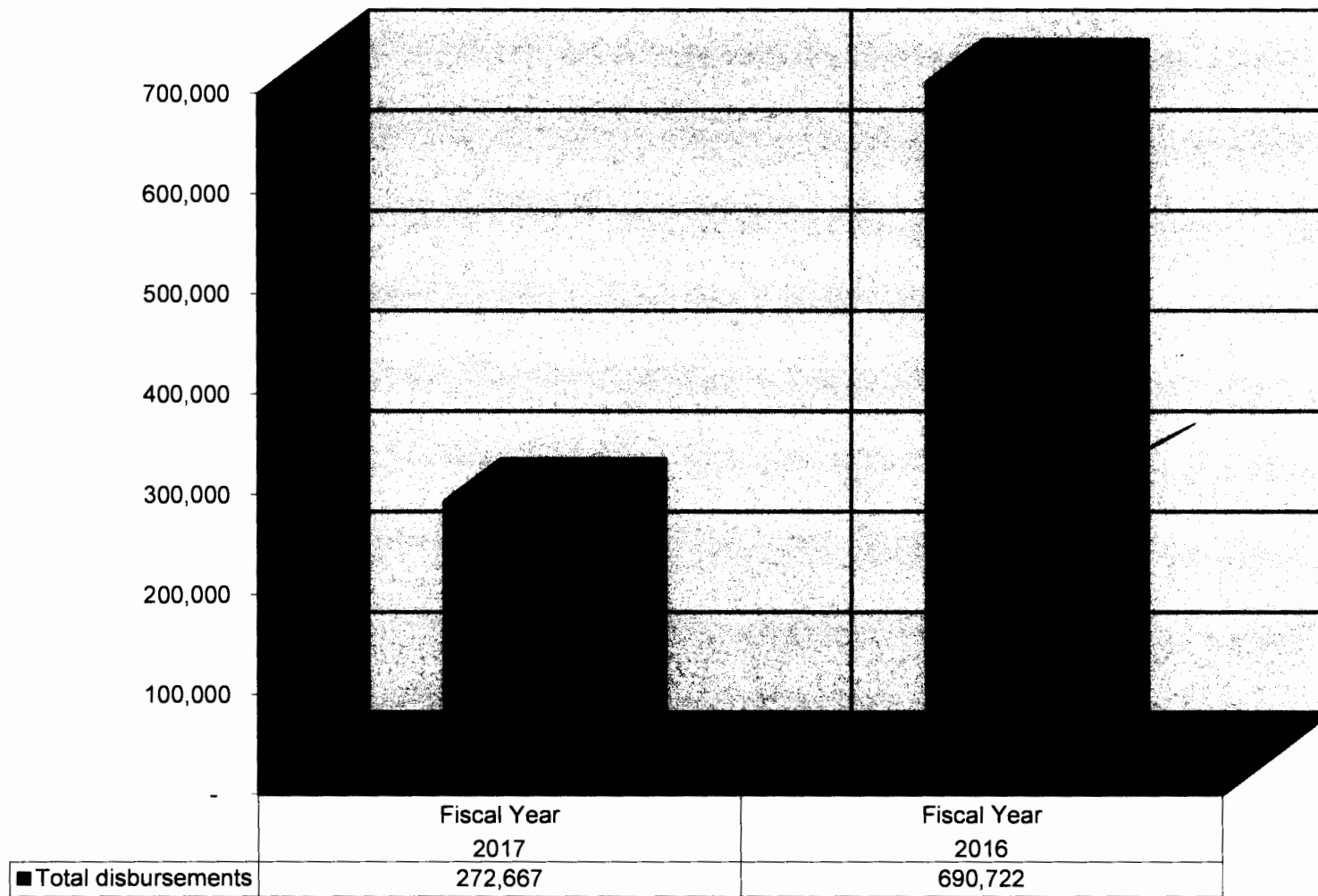
FISCAL YEAR 2016 GENERAL FUND CASH BALANCE



WATER AND SEWER FUND RECEIPT COMPARISON

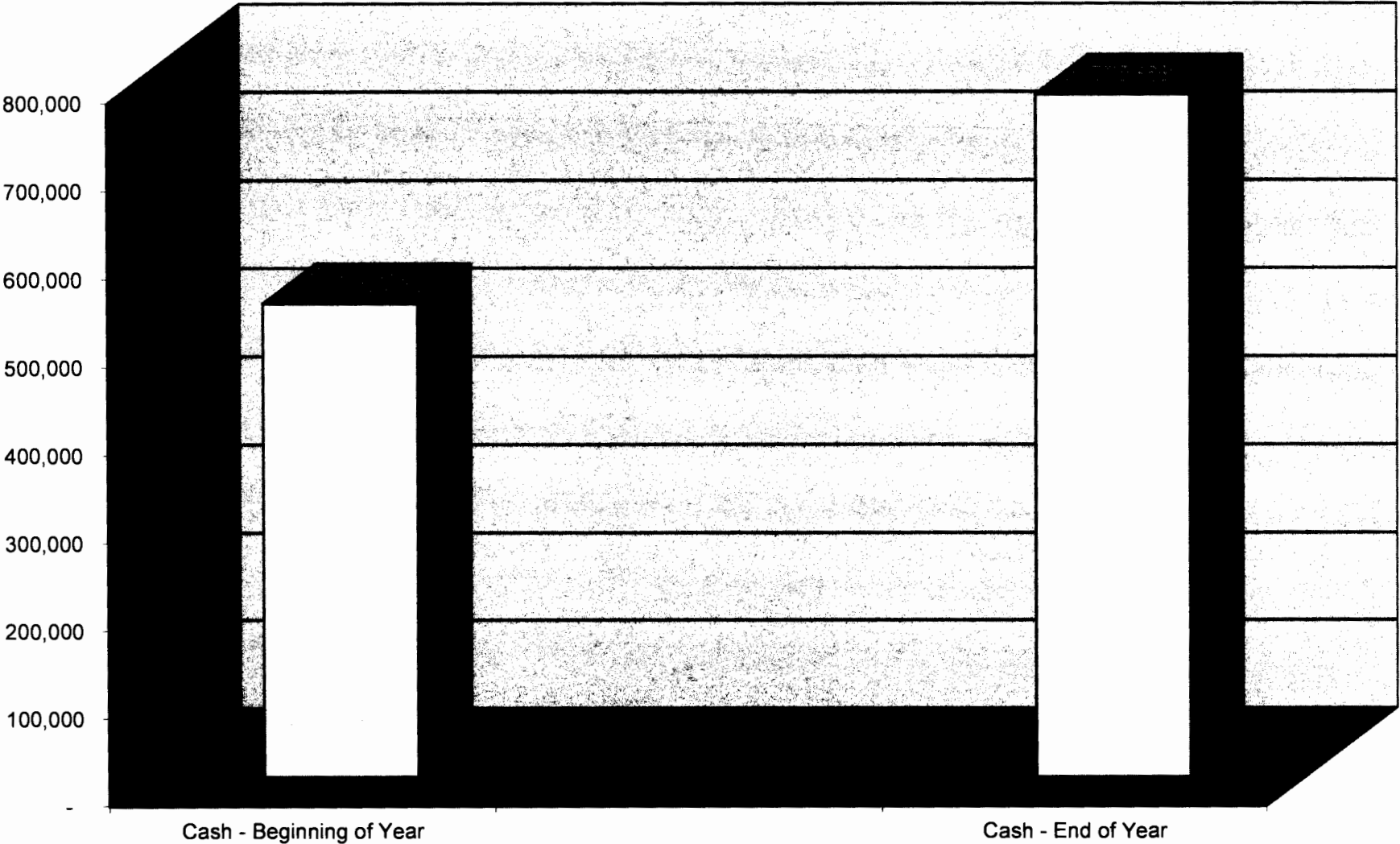


WATER AND SEWER FUND TOTAL DISBURSEMENTS

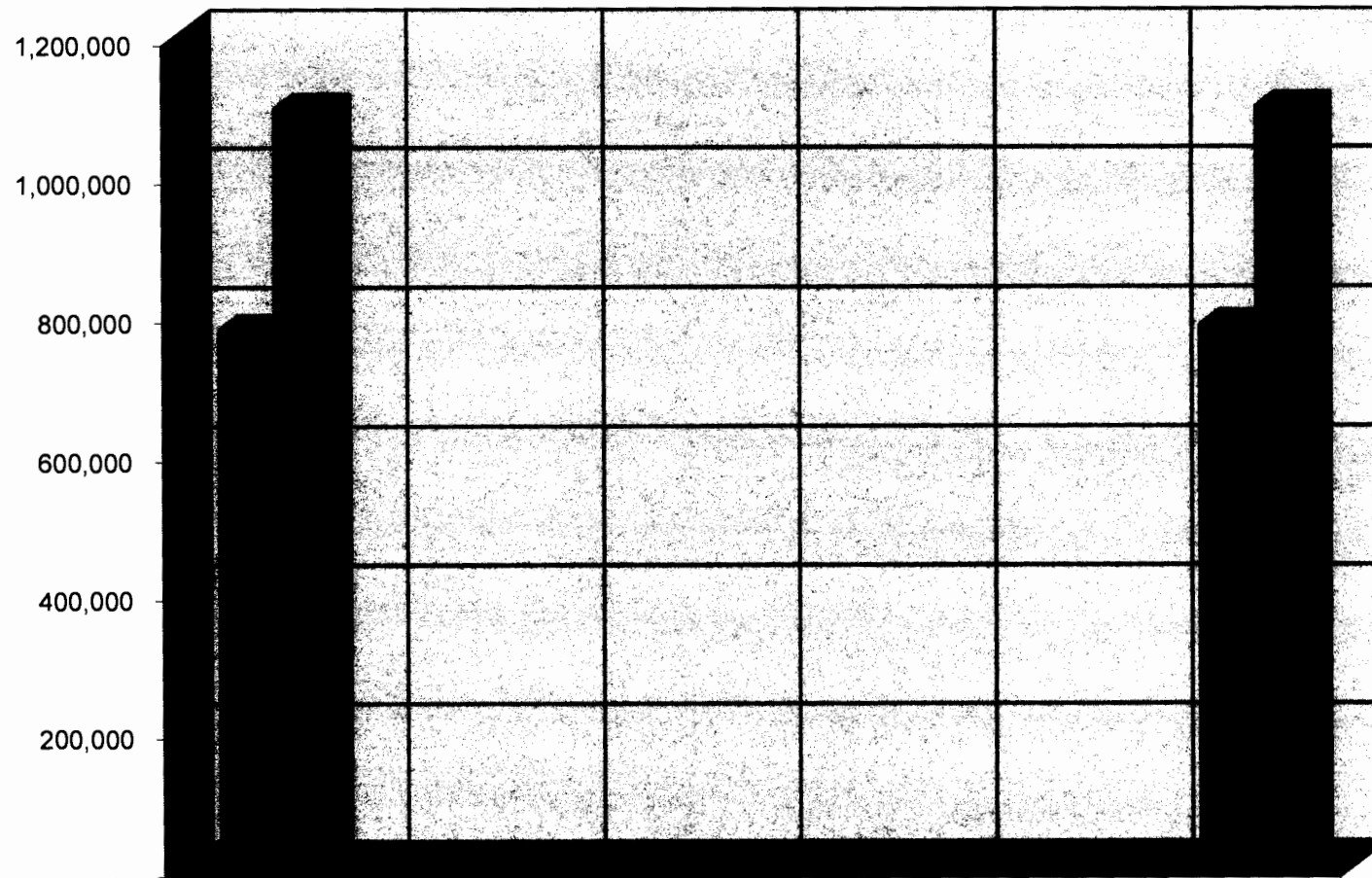


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FISCAL YEAR 2017 WATER AND SEWER FUND CASH BALANCE



NATURAL GAS FUND RECEIPT COMPARISON

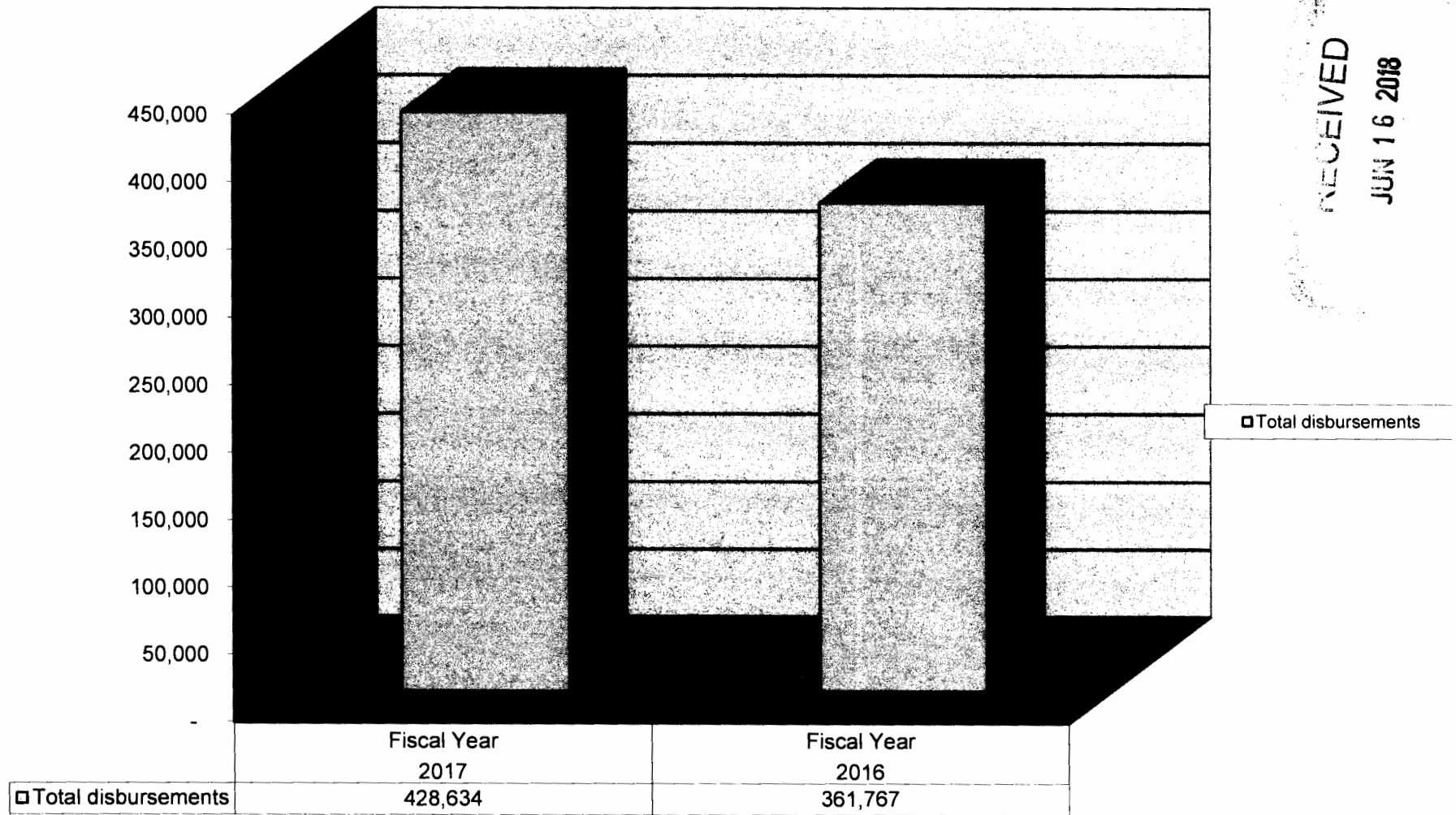


■ 2017 Fiscal Year
 ■ 2016 Fiscal Year

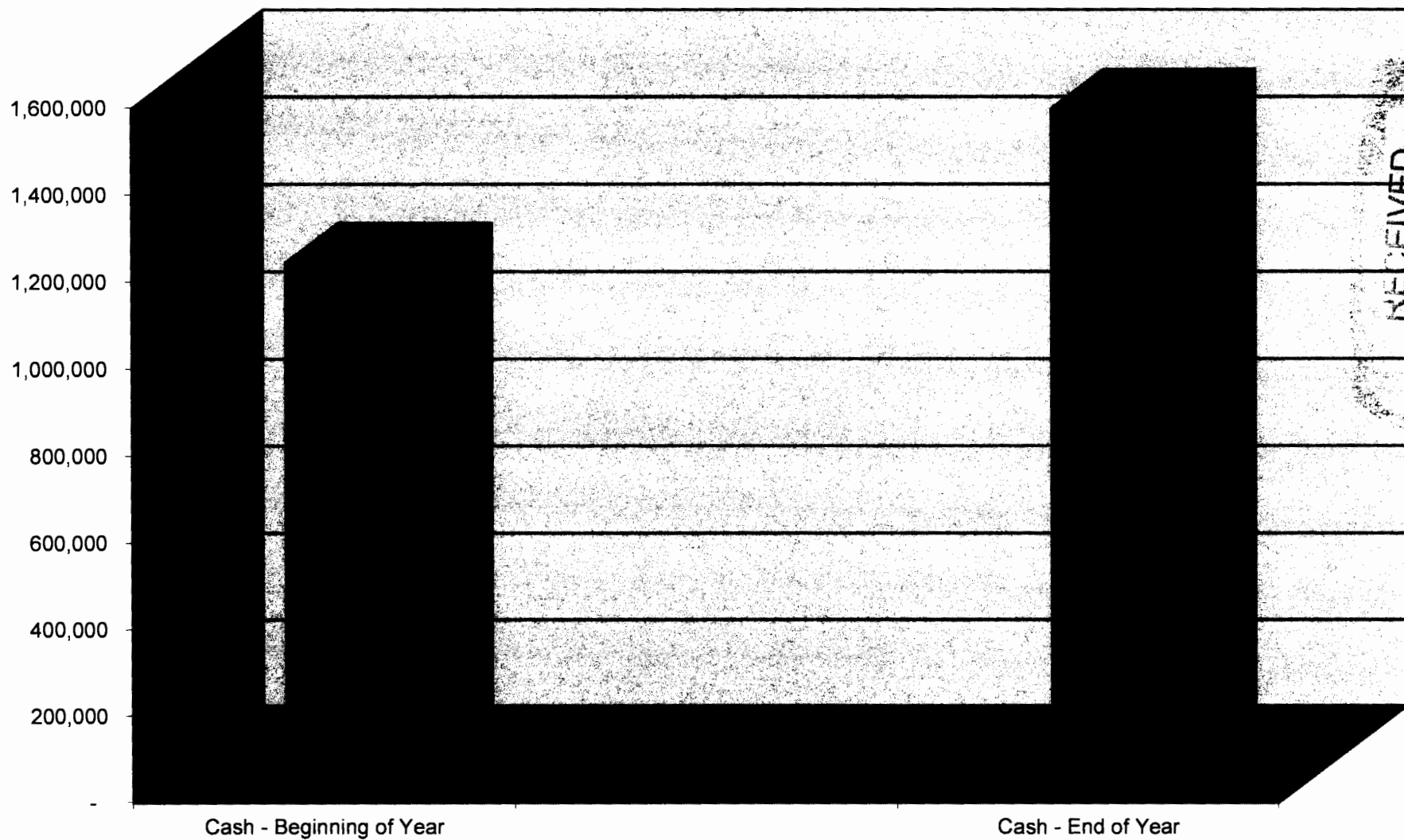
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	Natural gas	Utility deposits (refunds)	Interest	Interfund transfers	Other	Total receipts
■ 2017 Fiscal Year	775,236	-	5,557	-	680	781,473
■ 2016 Fiscal Year	1,093,628	300	408	-	620	1,094,956

NATURAL GAS FUND TOTAL DISBURSEMENTS



FISCAL YEAR 2017 NATURAL GAS FUND CASH BALANCE



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

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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, 2017, 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 certain deficiencies in internal control that we consider to be material weaknesses 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 five deficiencies in the Town of Gloster's internal control to be material weaknesses:

1. 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.

2. During our routine tests of utility billings, we found 9 instances where incorrect natural gas rates had been used. It is our understanding this situation resulted from an error in the Town's billing software. The incorrect natural gas rates resulted in the Town over billing a commercial customer by an estimated \$9,633 during the period January 2017 through September 2017. We recommend that management and the Board of the Town determine whether the Town will refund the over billings and spread the official determination on the Board minutes. We also recommend that management establish controls necessary to prevent incorrect rates from being used in the future.
3. During our routine tests of utility billings, we determined that the Town was not billing a commercial customer for sewer services provided. The commercial customer was provided services starting in September 2015, but the Town did not start billing for the services until the January 2017 billings. It is our understanding that the Town had previously concluded that the customer was responsible for disposing of its own sewage as a result of EPA regulations and therefore sewer was not billed to the customer. The Town determined in January 2017 that the customer was in fact being provided sewer services and billing was started beginning with that month. The Town's determination made in January 2017 with respect to the commercial customer resulted in prior under billings of sewer services estimated to be \$89,366. We recommend that management and the Board of the Town determine whether the Town is allowed to bill for the under billings and spread the official determination on the Board minutes. We also recommend that management establish controls necessary to prevent this error in the future.
4. During our routine tests of utility billings, we found 9 instances where incorrect sales tax rates were being used for a commercial customer on natural gas services billed. It is our understanding that the Town incorrectly concluded that the commercial customer should be billed at a lower rate. The error resulted in the Town under billing the commercial customer by an estimated \$13,514 in sales tax which subsequently led to the Town submitting the incorrect sales tax amount to the Department of Revenue. We recommend that management bill the commercial customer for the under billed sales taxes and remit the amount received to the Department of Revenue. We also recommend that management establish controls necessary to prevent incorrect sales tax rates from being used in the future.
5. Our Independent Auditor's Report on Compliance with State Laws and Regulations disclosed a finding related to disbursements in excess of budget for fiscal year 2017. We recommend that management establish controls necessary to prevent future disbursements in excess of budget.

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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 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
April 27, 2018

April 27, 2018

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

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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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Gloster, Mississippi are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the

To the Honorable Mayor and Board of Alderpersons
April 27, 2018
Page Two

Significant Audit Findings - continued:

Corrected and Uncorrected Misstatements - continued:

appropriate level of management. See the attached list of proposed adjustments for misstatements detected as a result of our audit procedures. Management has corrected all misstatements detected as a result of audit procedures. The following material misstatements detected as a result of audit procedures were corrected by management:

General Fund - AJE 1.
Fire Protection Fund - AJE 1.
Water and Sewer Fund - AJE's 1, 3, and 4.
Natural Gas Fund - AJE 3.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We detected one finding as a result of audit procedures related to compliance with state laws and regulations. The finding is discussed in our Independent Auditor's Report on Compliance with State Laws and Regulations.

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To the Honorable Mayor and Board of Alderpersons
April 27, 2018
Page Three

Significant Audit Findings - continued:

Other Audit Findings or Issues - continued:

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the schedules included in the supplementary information section, which accompany the financial statements but are not RSI. 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 it.

Restriction on Use

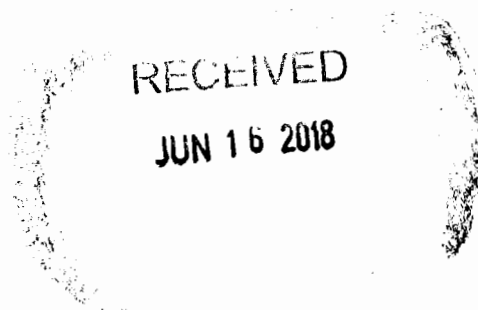
This information is intended solely for the use of the Honorable Mayor and Board of Alderpersons and management of the Town of Gloster, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Haddox Reid Eubank Betts PLLC

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.001 - General Fund Database
Workpaper: 1500.001 - General Fund AJE report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to adjust for voided checks				
001-000-002	GENERAL FUND - CASH		9,406.00	
001-040-500	OFFICE SUPPLIES		150.00	
001-040-500	OFFICE SUPPLIES		175.00	
001-100-535	UNIFORMS/PROTECTIVE CLOTH		705.91	
001-000-100	ACCOUNTS PAYABLE			10,436.91
Total			10,436.91	10,436.91
Adjusting Journal Entries JE # 2				
To reclass dtl balance to proper account.				
001-000-053	FIRE PROTECTION FUND	4401	4,075.69	
001-000-102	DUE TO OTHER FUNDS			4,075.69
Total			4,075.69	4,075.69
Adjusting Journal Entries JE # 3				
Entry to adjust for bank error receivable				
001-000-002	GENERAL FUND - CASH		191.18	
001-000-115	BANK ERROR			191.18
Total			191.18	191.18
Total Adjusting Journal Entries			14,703.78	14,703.78
Total All Journal Entries			14,703.78	14,703.78



Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.100 - Unemployment Compensation Fund Database
Workpaper: 1500.100 - Unemployment Compensation AJE Report

Account	Description	W/P Ref	Debit	Credit
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Adjusting Journal Entries

Adjusting Journal Entries JE # 1

To accrue interest on CD

100-000-065	INVESTMENTS		4.16	
100-000-340	INTEREST EARNED			4.16
Total			<u>4.16</u>	<u>4.16</u>
Total Adjusting Journal Entries			<u>4.16</u>	<u>4.16</u>
Total All Journal Entries			<u>4.16</u>	<u>4.16</u>

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2017 - Town of Gloster, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.105 - Fire Protection Fund Database
 Workpaper: 1500.105 - Fire Protection AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To adjust AP balance to actual				
105-000-135	DUE TO ACCOUNTS PAYABLE		4,975.85	
105-000-100	FIRE - ACCOUNTS PAYABLE			4,975.85
Total			<u>4,975.85</u>	<u>4,975.85</u>
Total Adjusting Journal Entries				
			<u>4,975.85</u>	<u>4,975.85</u>
Total All Journal Entries				
			<u>4,975.85</u>	<u>4,975.85</u>

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Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.400 - Water and Sewer Fund Database
Workpaper: 1500.400 - Water and Sewer AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To post PY entries not posted by client				
400-000-190	FUND BALANCE		34,778.37	
400-000-104	DUE TO PAYROLL CLEARING			34,778.37
Total			<u>34,778.37</u>	<u>34,778.37</u>
Adjusting Journal Entries JE # 2				
Entry to correct voided checks entry posted by client.				
400-650-525	P.U. REV. GAS & MOTOR OIL		12.12	
400-650-616	P.U. REV. FEES, DUES, SUBS		220.50	
400-000-100	ACCOUNTS PAYABLE			232.62
Total			<u>232.62</u>	<u>232.62</u>
Adjusting Journal Entries JE # 3				
Entry to reclass debt payments to correct account.				
400-650-699	DEBTS RETIRED		8,743.52	
400-650-722	PU REV-DEBT SRV			8,743.52
Total			<u>8,743.52</u>	<u>8,743.52</u>
Adjusting Journal Entries JE # 4				
Entry to reclass interest expense out of principal payments				
400-650-607	Interest Expense	5002	6,861.88	
400-650-699	DEBTS RETIRED			6,861.88
Total			<u>6,861.88</u>	<u>6,861.88</u>
Adjusting Journal Entries JE # 5				
To accrue interest on CDs				
400-000-014	WATER DEPOSITS INVESTMENT	2005	52.53	
400-000-062	INVESTMENTS		15.03	
400-000-340	INTEREST EARNED			67.56
Total			<u>67.56</u>	<u>67.56</u>
Total Adjusting Journal Entries			<u>50,683.95</u>	<u>50,683.95</u>
Total All Journal Entries			<u>50,683.95</u>	<u>50,683.95</u>

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.401 - Natural Gas Fund Database
Workpaper: 1500.401 - Natural Gas Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To post prior year entries not posted by client				
401-000-190	FUND BALANCE		43.50	
401-000-100	ACCOUNTS PAYABLE			43.50
Total			<u>43.50</u>	<u>43.50</u>
Adjusting Journal Entries JE # 2				
To correct voided check entry posted by client				
401-651-605	COMMUNICATIONS		12.16	
401-000-100	ACCOUNTS PAYABLE			12.16
Total			<u>12.16</u>	<u>12.16</u>
Adjusting Journal Entries JE # 3				
To record Gas for resale purchase to correct account. Found by examining the GL				
401-651-660	GAS FOR RESALE		26,415.96	
401-651-600	PROFESSIONAL SERVICE			26,415.96
Total			<u>26,415.96</u>	<u>26,415.96</u>
Adjusting Journal Entries JE # 4				
To accrue interest on CDs				
401-000-014	GAS DEPOSITS INVESTMENTS		50.71	
401-000-015	GAS INVESTMENTS		4.64	
401-000-063	INVESTMENT-C.D./T.BILL		5,042.72	
401-000-340	INTEREST EARNED			5,098.07
Total			<u>5,098.07</u>	<u>5,098.07</u>
Total Adjusting Journal Entries			<u>31,569.69</u>	<u>31,569.69</u>
Total All Journal Entries			<u>31,569.69</u>	<u>31,569.69</u>

2005

Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2017 - Town of Gloster, Mississippi
Period Ending: 9/30/2017
Trial Balance: 1400.606 - Cemetery Fund Database
Workpaper: 1500.606 - Cemetery Fund AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Entry to accrue interest on CD				
606-000-062	CEM. INVESTMENTS		96.22	
606-000-340	CEM PER/CARE INTEREST			96.22
Total			<u>96.22</u>	<u>96.22</u>
Total Adjusting Journal Entries			<u>96.22</u>	<u>96.22</u>
Total All Journal Entries			<u>96.22</u>	<u>96.22</u>

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2017 - Town of Gloster, Mississippi
 Period Ending: 9/30/2017
 Trial Balance: 1400.610 - Accounts Payable Clearing Fund Database
 Workpaper: 1500.610 - Accounts Payable Clearing AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To adjust DTF accounts to actual at 9.30.17				
610-000-050	DUE FROM OTHER FUNDS		2,381.76	
610-000-002	CASH IN BANK A/P CLEARING			2,381.76
Total			<u>2,381.76</u>	<u>2,381.76</u>
Total Adjusting Journal Entries				
			<u>2,381.76</u>	<u>2,381.76</u>
Total All Journal Entries				
			<u>2,381.76</u>	<u>2,381.76</u>

