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TOWN OF GLOSTER

P. O. BOX 1019
GLOSTER, MISSISSIPPI 39638
601-225-4216 FAX 601-225-4772

Jerry Norwood, Mayor

Monzella Tickles, Town Clerk

May 16, 2019

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

RE: AUDIT FOR FISCAL YEAR 2018

Enclosed please find (2) two copies of the Financial Statement and Supplementary Information and Report of Independent Certified Public Accountants for the fiscal year 2018 for the Town of Gloster.

Thanking you in advance for your time.

Sincerely,



Monzella Tickles
Town Clerk

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May 6, 2019

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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, 2018. 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 October 1, 2018. 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 2018. 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

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:

Fire Protection Fund - AJE 1
Water and Sewer Fund - AJE 3
Natural Gas Fund - AJE 1

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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 May 6, 2019.

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 related to disbursements in excess of budget and is discussed in our Independent Auditor's Report on Compliance with State Laws and Regulations.

We detected utility billing errors during our fiscal year 2017 and 2018 financial statement audits which resulted in net under billings during fiscal year 2018 and prior in the Natural Gas

Significant Audit Findings - continued:

Other Audit Findings or Issues - continued:

Fund and the Water and Sewer Fund in the amounts of approximately \$2,079 and \$89,366, respectively. The utility billing errors affecting the Water and Sewer Fund were corrected by the Town beginning with the January 2017 billing period and the billing errors affecting the Natural Gas Fund were corrected by the Town beginning with the April 2018 billing period. We determined during our current year audit that amounts under billed by the Town remain unpaid. Town management has indicated that they are currently working to resolve the matter. We recommend that the Town take the necessary steps to resolve this matter.

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

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Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2018 - Town of Gloster, Mississippi
 Period Ending: 9/30/2018
 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				
To record PY AJE not made				
001-000-190	FUND BALANCE		191.18	
001-000-115	BANK ERROR			191.18
Total			<u>191.18</u>	<u>191.18</u>
Adjusting Journal Entries JE # 2				
To reclass DTF to correct account				
001-000-053	FIRE PROTECTION FUND		7,908.51	
001-000-102	DUE TO OTHER FUNDS			7,908.51
Total			<u>7,908.51</u>	<u>7,908.51</u>
Adjusting Journal Entries JE # 3				
To reclass sale of scrap iron to miscellaneous				
001-000-394	SALES OF VEHICLE & EQUIP		860.90	
001-000-357	MISCELLANEOUS			860.90
Total			<u>860.90</u>	<u>860.90</u>
Adjusting Journal Entries JE # 4				
To adjust AP to actual amount per claim docket at year end.				
001-000-100	ACCOUNTS PAYABLE		3,314.00	
001-000-357	MISCELLANEOUS			3,314.00
Total			<u>3,314.00</u>	<u>3,314.00</u>
Adjusting Journal Entries JE # 5				
To properly reclass items paid for with MS Justice Assistance Grant (JAG). Grant receipt was originally netted against disbursements.				
001-100-535	UNIFORMS/PROTECTIVE CLOTH		2,866.63	
001-100-699	POLICE - GRANT		5,586.63	
001-100-730	POLICE CAP OUT-EQUIPMENT		2,720.00	
001-000-251	STATE AID GRANT			5,586.63
001-100-699	POLICE - GRANT			5,586.63
Total			<u>11,173.26</u>	<u>11,173.26</u>
Total Adjusting Journal Entries			<u>23,447.85</u>	<u>23,447.85</u>
Total All Journal Entries			<u>23,447.85</u>	<u>23,447.85</u>

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Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2018 - Town of Gloster, Mississippi
 Period Ending: 9/30/2018
 Trial Balance: 1400.100 - Unemployment Compensation Fund Database
 Workpaper: 1500.100 - Unemployment Compensation AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To record interest earned				
100-000-065	INVESTMENTS		4.17	
100-000-340	INTEREST EARNED			4.17
Total			<u>4.17</u>	<u>4.17</u>
Total Adjusting Journal Entries			<u>4.17</u>	<u>4.17</u>
Total All Journal Entries			<u>4.17</u>	<u>4.17</u>

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Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2018 - Town of Gloster, Mississippi
 Period Ending: 9/30/2018
 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 accounts				
105-000-135	DUE TO ACCOUNTS PAYABLE		6,178.04	
105-000-100	FIRE - ACCOUNTS PAYABLE			6,178.04
Total			<u>6,178.04</u>	<u>6,178.04</u>
Total Adjusting Journal Entries				
			<u>6,178.04</u>	<u>6,178.04</u>
Total All Journal Entries				
			<u>6,178.04</u>	<u>6,178.04</u>

Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2018 - Town of Gloster, Mississippi
 Period Ending: 9/30/2018
 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 reclass interest expense out of debt payments.				
400-650-607	Interest Expense	5002	5,712.17	
400-650-722	PU REV-DEBT SRV			5,712.17
Total			<u>5,712.17</u>	<u>5,712.17</u>
Adjusting Journal Entries JE # 2				
To record interest earned				
400-000-014	WATER DEPOSITS INVESTMENT	2005	52.61	
400-000-062	INVESTMENTS		15.05	
400-000-340	INTEREST EARNED			67.66
Total			<u>67.66</u>	<u>67.66</u>
Adjusting Journal Entries JE # 3				
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>
Total Adjusting Journal Entries			<u>40,558.20</u>	<u>40,558.20</u>
Total All Journal Entries			<u>40,558.20</u>	<u>40,558.20</u>

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Client: 03171 - Town of Gloster, Mississippi
 Engagement: FY 2018 - Town of Gloster, Mississippi
 Period Ending: 9/30/2018
 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 record interest earned				
401-000-014	GAS DEPOSITS INVESTMENTS		50.79	
401-000-015	GAS INVESTMENTS		4.65	
401-000-063	INVESTMENT-C.D./T.BILL		12,132.97	
401-000-340	INTEREST EARNED			12,188.41
Total			<u>12,188.41</u>	<u>12,188.41</u>
Total Adjusting Journal Entries				
			<u>12,188.41</u>	<u>12,188.41</u>
Total All Journal Entries				
			<u>12,188.41</u>	<u>12,188.41</u>

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Client: 03171 - Town of Gloster, Mississippi
Engagement: FY 2018 - Town of Gloster, Mississippi
Period Ending: 9/30/2018
Trial Balance: 1400.606 - Cemetery Fund Database
Workpaper: 1500.606 - Cemetery Fund A/E Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To record interest earned				
606-000-062	CEM. INVESTMENTS	2005	96.36	
606-000-340	CEM PER/CARE INTEREST			96.36
Total			<u>96.36</u>	<u>96.36</u>
Total Adjusting Journal Entries				
			<u>96.36</u>	<u>96.36</u>
Total All Journal Entries				
			<u>96.36</u>	<u>96.36</u>

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TOWN OF GLOSTER, MISSISSIPPI

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

SEPTEMBER 30, 2018

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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, 2018, 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, 2018 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 are presented for purposes of additional analysis and are not a required part of the basic financial statement. The schedules included 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.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
May 6, 2019

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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, 2018

	GOVERNMENTAL ACTIVITIES		
	General Fund	Other Nonmajor Funds	Total
RECEIPTS:			
Taxes - Ad valorem	\$ 206,673	-	206,673
Penalties and interest on delinquent taxes	793	-	793
Franchise fees	20,825	-	20,825
Licenses and permits	2,624	-	2,624
Intergovernmental receipts:			
Sales tax	139,875	-	139,875
Capital grants	5,587	5,480	11,067
Operating grants	3,419	-	3,419
Other intergovernmental receipts	91,943	-	91,943
Charges for services:			-
Sanitation	111,412	-	111,412
Water and sewer	-	-	-
Natural gas	-	-	-
Fines and forfeits	38,396	-	38,396
Interest	478	106	584
Other	33,837	650	34,487
Total receipts	<u>655,862</u>	<u>6,236</u>	<u>662,098</u>
DISBURSEMENTS:			
General government	160,499	-	160,499
Public safety	394,225	14,087	408,312
Public works	228,745	-	228,745
Court	16,711	-	16,711
Culture and recreation	10,156	-	10,156
Enterprises:			
Water and sewer	-	-	-
Natural gas	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total disbursements	<u>810,336</u>	<u>14,087</u>	<u>824,423</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(154,474)</u>	<u>(7,851)</u>	<u>(162,325)</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES		
Water and Sewer Fund	Natural Gas Fund	Total
-	-	-
-	-	-
-	-	-
-	-	-
399,990	-	399,990
-	-	-
-	-	-
-	-	-
489,685	-	489,685
-	475,224	475,224
-	-	-
465	12,423	12,888
-	-	-
<u>890,140</u>	<u>487,647</u>	<u>1,377,787</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
724,175	-	724,175
-	520,510	520,510
46,749	-	46,749
5,712	-	5,712
<u>776,636</u>	<u>520,510</u>	<u>1,297,146</u>
<u>113,504</u>	<u>(32,863)</u>	<u>80,641</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, 2018**

	<u>GOVERNMENTAL ACTIVITIES</u>		
	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
OTHER CASH SOURCES (USES):			
Interfund loans and transfers	\$ (7,909)	7,909	-
Utility deposits (refunds) - net	-	-	-
Total other cash sources (uses)	<u>(7,909)</u>	<u>7,909</u>	<u>-</u>
Excess (deficiency) of receipts and other cash sources over (under) disbursements and other cash uses	(162,383)	58	(162,325)
CASH BASIS FUND BALANCE -			
Beginning of year	<u>1,018,586</u>	<u>116,247</u>	<u>1,134,833</u>
CASH BASIS FUND BALANCE -			
End of year	\$ <u>856,203</u>	<u>116,305</u>	<u>972,508</u>

The accompanying notes are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES		
Water and Sewer Fund	Natural Gas Fund	Total
-	-	-
<u>25</u>	<u>71</u>	<u>96</u>
<u>25</u>	<u>71</u>	<u>96</u>
113,529	(32,792)	80,737
<u>775,863</u>	<u>1,531,031</u>	<u>2,306,894</u>
<u>889,392</u>	<u>1,498,239</u>	<u>2,387,631</u>

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TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

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.

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TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

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, 2018:

	Unrestricted <u>Cash</u>	Restricted <u>Cash</u>	Unrestricted Certificates <u>of Deposit</u>	Restricted Certificates <u>of Deposit</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 853,098	3,105	-	-	856,203
Cemetery Fund	-	9,227	-	97,723	106,950
Fire Protection Fund	-	5,130	-	-	5,130
Unemployment Compensation Fund	-	-	-	4,225	4,225
Total governmental activities	<u>853,098</u>	<u>17,462</u>	<u>-</u>	<u>101,948</u>	<u>972,508</u>
Business-type activities:					
Water and Sewer Fund	781,395	39,382	68,615	-	889,392
Natural Gas Fund	<u>404,874</u>	<u>19,965</u>	<u>1,073,400</u>	<u>-</u>	<u>1,498,239</u>
Total business-type activities	<u>1,186,269</u>	<u>59,347</u>	<u>1,142,015</u>	<u>-</u>	<u>2,387,631</u>
Government-wide total	\$ <u>2,039,367</u>	<u>76,809</u>	<u>1,142,015</u>	<u>101,948</u>	<u>3,360,139</u>

Deposits at September 30, 2018 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 2,116,176	2,136,977
Certificates of deposit	<u>1,243,963</u>	<u>1,243,963</u>
Total deposits	<u>\$ 3,360,139</u>	<u>3,380,940</u>

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

The difference of \$20,801 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, 2018, \$3,130,940 of the Town's bank balance of \$3,380,940 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds Guaranty Pool: \$ 3,130,940

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, 2018.

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, 2018, 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:

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT - CONTINUED:

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, 2018, 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>
2019	\$ 47,929	4,532
2020	49,142	3,320
2021	50,386	2,075
2022	36,586	920
2023	20,624	379
2024	<u>10,450</u>	<u>51</u>
	\$ <u>215,117</u>	<u>11,277</u>

NOTE 4 - PROPERTY TAX

Property taxes for fiscal year 2018 were levied in September 2017 on the assessed valuation of property located in the Town of Gloster, Mississippi as of the preceding January 1, the lien date. The Town levies property taxes annually based upon assessed valuations. Real property and personal property taxes are collected directly by the Town. Automobile ad valorem taxes and certain road taxes are collected by the Amite County tax collector and disbursed to the Town accordingly. Current collections of taxes for the year ended September 30, 2018 were approximately 95% of the total tax levy.

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TOWN OF GLOSTER, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018**

NOTE 4 - PROPERTY TAX - CONTINUED:

The tax rate levied by the Town for fiscal year 2018 was set at 39.0 mills. The Town allocated the property tax per \$100 of assessed value for the year as follows:

General Fund	\$ <u>3.90</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 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

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General information about the Pension Plan - continued:

Benefits provided - continued:

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, 2018, the Town's total payroll for all employees was \$564,713. Total covered payroll was \$492,771. 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, 2018 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, 2018, 2017 and 2016 were \$77,611, \$76,379 and \$71,085, respectively, which equaled the required contributions for each year.

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TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

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	\$ 7,909

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.

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TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

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 24% and 71% of the Town's fiscal year 2018 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 lessee, to lease grounds owned by the Town. The lease calls for an initial term of ten years commencing August 1, 1998. The lessee has five options to renew the lease, each for a period of five years for a total of an additional twenty-five years. The lessee has currently elected the third option to renew and the annual minimum future rentals are \$7,254 through July 31, 2023.

On April 29, 2013, the Town, as lessor, entered into an agreement with a commercial entity, the lessee, to lease grounds owned by the Town. The lease calls for an initial term of fifteen years commencing April 29, 2013. The lessee 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:

Year Ending	
<u>September 30,</u>	
2019	\$ 15,254
2020	15,254
2021	15,254
2022	15,254
2023	9,000
2024-2027	<u>36,000</u>
Total minimum future rentals	\$ <u>106,016</u>

TOWN OF GLOSTER, MISSISSIPPI
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2018

NOTE 11 - TAX ABATEMENTS

The Town has granted local businesses an ad valorem tax exemption as allowed under Section 27-31-7, Mississippi Code of 1972, as amended. Under the applicable Section of Mississippi Code of 1972, as amended, county and municipal authorities are authorized and empowered, in their discretion, to exempt from ad valorem taxation, except ad valorem taxes for school district purposes, all or any portion of the value of products, including finished goods, owned by or remaining in the hands of any manufacturer, or its subsidiary, or any distributor or wholesale merchant, located within such county or municipality. The time of such exemption shall be for a period not to exceed ten years.

For the fiscal year ended September 30, 2018, the Town abated ad valorem taxes for local business in the amount of \$446,727 as allowed by Section 27-31-7, Mississippi Code of 1972, as amended. The exemptions expire in fiscal year 2023.

NOTE 12 - UTILITY BILLING ERRORS

The Town became aware of utility billing errors in fiscal year 2018 which resulted in net under billings during fiscal year 2018 and prior in the Natural Gas Fund and the Water and Sewer Fund in the amounts of approximately \$2,079 and \$89,366, respectively. The utility billing errors affecting the Water and Sewer Fund were corrected beginning with the January 2017 billing period and the billing errors affecting the Natural Gas Fund were corrected beginning with the April 2018 billing period. The under billings resulting from the utility billing errors remain unpaid as of September 30, 2018. Town management is currently working to resolve the matter and any future payments received on the under billings will be reflected in the period received in accordance with the cash basis of accounting.

NOTE 13 - SUBSEQUENT EVENTS

The Town has evaluated subsequent events through May 6, 2019, the date the financial statement was approved by the Town's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying financial statement.

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SUPPLEMENTARY INFORMATION

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SCHEDULE I

TOWN OF GLOSTER, MISSISSIPPI

**SCHEDULE OF INVESTMENTS - ALL FUNDS
AS OF SEPTEMBER 30, 2018**

	<u>Deposit Amount</u>
Certificates of Deposit with Trustmark National Bank	
Maturing 5/9/19, Rate 0.10%	\$ 226,787
Maturing 4/12/19, Rate 1.20%	<u>1,017,176</u>
	\$ <u><u>1,243,963</u></u>
 Fund Recap:	
Unemployment Compensation Fund	\$ 4,225
Cemetery Fund	97,723
Water and Sewer Fund	68,615
Natural Gas Fund	<u>1,073,400</u>
	\$ <u><u>1,243,963</u></u>

TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Balance Outstanding October 1, 2017	Issued	Redeemed	Balance Outstanding September 30, 2018
Water and Sewer Fund:				
Mississippi Drinking Water Systems Improvements Revolving Loan Fund due in monthly installments of \$1,387 at 3.00% interest, maturing December 2021.	\$ 66,336	-	(14,857)	51,479
Mississippi Drinking Water Systems Improvements Revolving Loan Fund due in monthly installments of \$1,234 at 3.00% interest, maturing July 2022.	66,575	-	(12,994)	53,581
Water Pollution Control Revolving Loan Fund due in monthly installments of \$1,750 at 1.75% interest, maturing March 2024.	128,955	-	(18,898)	110,057
Total	\$ 261,866	-	(46,749)	215,117

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SCHEDULE III**TOWN OF GLOSTER, MISSISSIPPI****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
AS OF SEPTEMBER 30, 2018**

<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
Shalonda Weathersby	Assistant Town Clerk	Wester Surety Co	50,000
Town of Gloster	Miss. Dept. of Employment Security	Brierfield	25,000

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SCHEDULE IV

TOWN OF GLOSTER, MISSISSIPPI

SCHEDULE OF CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<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	4,482	-	646,727
Vehicles and machinery	462,171	18,712	(26,384)	454,499
Infrastructure	2,764,323	-	-	2,764,323
Construction in progress	-	-	-	-
Total governmental activities capital assets	\$ <u>4,012,649</u>	<u>23,194</u>	<u>(26,384)</u>	<u>4,009,459</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets:				
Land	\$ 1,125	-	-	1,125
Buildings	100,000	-	-	100,000
Vehicles and machinery	313,858	75,532	-	389,390
Water distribution system	4,005,215	414,285	-	4,419,500
Gas distribution system	149,895	-	-	149,895
Construction in progress	-	-	-	-
Total business-type activities capital assets	\$ <u>4,570,093</u>	<u>489,817</u>	<u>-</u>	<u>5,059,910</u>

STATE COMPLIANCE SECTION

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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, 2018, and have issued our report thereon dated May 6, 2019. 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:

2018-001 - 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 five items as follows:

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Finding - continued:

General Fund:

General Government - Supplies	\$ 160
Public Safety - Supplies	6,179
Public Safety - Other Services and Charges	10,480
Culture and Recreation - Other Services and Charges	1,557

Fire Protection Fund:

Other Services and Charges	\$ 81
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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.

Haddox Reid Eubank Batts PLLC

Jackson, Mississippi
May 6, 2019

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