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CITY OF
UNION

404 Bank Street • Union, Mississippi 39365 • Phone 601-774-9422 • Fax 601-774-3595

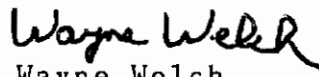
January 7, 2015

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

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the City of Union, Mississippi, for the fiscal year ended September 30, 2014. A separate management letter was not written to the city in connection with this audit.

Sincerely,


Wayne Welch
Mayor

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CITY OF UNION, MISSISSIPPI
AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**CITY OF UNION, MISSISSIPPI
ANNUAL FINANCIAL STATEMENT
For the Year Ended September 30, 2014**

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Member: American Institute of Certified Public Accountants
Mississippi Society of Certified Public Accountants

William Newman Price, CPA

1927-2011

INDEPENDENT AUDITOR'S REPORT ON THE COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and Board of Aldermen
City of Union, Mississippi

We have audited the accompanying financial statement of the City of Union, Mississippi as of and for the year ended September 30, 2014, and the related notes to the financial statement, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements method of accounting described in Note 1; this includes 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 an opinion 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Mississippi as of September 30, 2014, and the respective changes in cash position, for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement of the City of Union, Mississippi. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statement. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Price & Co.

Price & Co.
Forest, Mississippi

November 18, 2014

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CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Year Ended September 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>	<u>T o t a l s</u> (Memorandum Only)	
					<u>2014</u>	<u>2013</u>
RECEIPTS						
Taxes						
General Property Taxes	\$ 279,777	\$ -	\$ -	\$ -	\$ 279,777	\$ 288,296
Penalties and Interest on Delinquent Taxes	2,323	-	-	-	2,323	2,509
Rail Car Tax	2,546	-	-	-	2,546	2,046
Mississippi Housing Authority	11,785	-	-	-	11,785	-
Licenses and Permits						
Franchise charges - utilities	98,379	-	-	-	98,379	79,526
Other	9,636	-	-	-	9,636	8,797
Intergovernmental Revenues:						
Federal Receipts						
Grants	-	-	-	29,000	29,000	15,000
TVA	316	-	-	-	316	417
General Municipal Aid (From State)	991	-	-	-	991	991
State Shared Revenues:						
Sales Taxes	354,932	-	-	-	354,932	345,589
Gasoline Tax	-	5,560	-	-	5,560	5,560
Motor Vehicle Tax	54,037	-	-	-	54,037	51,994
Fire Insurance Premium Distribution	-	10,834	-	-	10,834	10,595
Law Enforcement Grants	3,014	-	-	-	3,014	2,978
MEMA	-	-	-	-	-	37,034
County Grants and Shared Receipts						
Road Taxes	27,600	-	-	-	27,600	27,923
Fire Calls	-	7,035	-	-	7,035	7,484
Interest income	1,502	62	-	1,643	3,207	5,406
Rent	57,705	-	-	-	57,705	66,119
Sale of Cemetery Lots	2,250	-	-	-	2,250	1,000
Contribution from Businesses and Individuals	850	-	-	-	850	915
Charges For Services:						
Water Utility	-	-	-	695,318	695,318	589,224
Garbage Collection	127,856	-	-	-	127,856	127,932
Summer Recreation Program	10,030	-	-	-	10,030	8,800
Fines and Forfeits	64,259	-	-	-	64,259	66,099
Miscellaneous Receipts	648	-	-	-	648	506
Total Receipts	<u>1,110,436</u>	<u>23,491</u>	<u>-</u>	<u>725,961</u>	<u>1,859,888</u>	<u>1,752,740</u>

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CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Year Ended September 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>	<u>T o t a l s</u> (Memorandum Only)	
					<u>2014</u>	<u>2013</u>
DISBURSEMENTS						
General Government (Executive and Financial)	\$ 182,083	\$ -	\$ -	\$ -	\$ 182,083	\$ 239,754
Public Safety						
Police	498,870	-	-	-	498,870	525,836
Fire	16,780	407	-	-	17,187	70,713
Highways and Streets	99,487	-	-	-	99,487	163,372
Sanitation	94,943	-	-	-	94,943	93,542
Culture and Recreation:						
Parks	19,757	-	-	-	19,757	19,379
Library	15,000	-	-	-	15,000	20,226
Enterprise:						
Water Utility	-	-	-	732,878	732,878	649,929
Bonds Retired	-	-	65,013	16,128	81,141	77,193
Bank Loans Repaid	-	-	-	27,106	27,106	39,343
Total Disbursements	<u>926,920</u>	<u>407</u>	<u>65,013</u>	<u>776,112</u>	<u>1,768,452</u>	<u>1,899,287</u>
Excess (Deficiency) of receipts over disbursements	<u>183,516</u>	<u>23,084</u>	<u>(65,013)</u>	<u>(50,151)</u>	<u>91,436</u>	<u>(146,547)</u>
OTHER FINANCING SOURCES (USES)						
Loan Proceeds	-	-	-	87,700	87,700	-
Transfers	<u>(62,191)</u>	<u>(2,594)</u>	<u>65,013</u>	<u>(228)</u>	<u>-</u>	<u>-</u>
Total other financing resources (uses)	<u>(62,191)</u>	<u>(2,594)</u>	<u>65,013</u>	<u>87,472</u>	<u>87,700</u>	<u>-</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>121,325</u>	<u>20,490</u>	<u>-</u>	<u>37,321</u>	<u>179,136</u>	<u>(146,547)</u>
CASH BASIS FUND BALANCE - BEGINNING OF YEAR	<u>744,925</u>	<u>117,109</u>	<u>-</u>	<u>496,652</u>	<u>1,358,686</u>	<u>1,505,233</u>
CASH BASIS FUND BALANCE - END OF YEAR	<u>\$ 866,250</u>	<u>\$ 137,599</u>	<u>\$ -</u>	<u>\$ 533,973</u>	<u>\$ 1,537,822</u>	<u>\$ 1,358,686</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2014**

Note 1 Summary of Significant Accounting Policies

A. General Information

The city operates under the mayor/board of alderman form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the city consists of all the funds of the city.

Fund Accounting

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

B. Report Classifications

Receipts and disbursements were classified according to requirements for small cities in the State of Mississippi as prescribed by the Office of the State Auditor.

Note 2 Interfund Assets/Liabilities

The following is a summary of due from/to other funds:

	Due From	Due To
General Fund		
Water and Sewer Enterprise Fund	\$ -	\$ 42,454
Special Revenue Fund	-	3,082
 Water and Sewer Enterprise Fund		
General Fund	42,454	-
 Special Revenue Fund		
General Fund	3,082	-
	<u>\$ 45,536</u>	<u>\$ 45,536</u>

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**CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2014**

Note 3 Commitments and Contingencies

Over the past fourteen years, the City has collected \$19,657 more than it spent on the revenue raised from the Library millage. This amount must be spent in the future on the Library.

Several water meters are broken and are not read each month. Each water customer is charged the minimum bill each month. In the opinion of management, the cost of replacing these meters exceeds any potential revenue enhancements.

The city received approval for a federal grant of \$442,976 for sewer line improvements. Funds of \$29,000 were received and spent in the year ended September 30, 2014. The remaining funds are expected to be received and spent in the next fiscal year.

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**CITY OF UNION, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2014**

<u>OWNERSHIP</u>	<u>TYPE OF INVESTMENT</u>	<u>INTEREST RATE</u>	<u>ACQUISITION DATE</u>	<u>MATURITY DATE</u>	<u>OTHER INFORMATION</u>	<u>INVESTMENT COST/VALUE</u>
General Fund	Certificate of Deposit	0.75%	12/15/2013	12/15/2014	The Citizens Bank	\$ 52,824
General Fund	Certificate of Deposit	0.75%	12/15/2013	12/15/2014	The Citizens Bank	52,824
Water and Sewer Fund	Certificate of Deposit	0.85%	5/8/2014	11/8/2015	The Citizens Bank	<u>272,603</u>
TOTAL INVESTMENTS						<u><u>\$ 378,251</u></u>

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI
SCHEDULE OF CAPITAL ASSETS
For the Year Ended September 30, 2014

		Transactions During Fiscal Year		
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets:				
Land	\$ 1,693,401	\$ -	\$ -	\$ 1,693,401
Buildings	856,812	-	-	856,812
Machinery and Equipment	1,113,692	-	-	1,113,692
Infrastructure	2,173,675	-	-	2,173,675
Construction in process	-	-	-	-
Total Governmental activities capital assets	\$ 5,837,580	\$ -	\$ -	\$ 5,837,580
Business-type activities:				
Capital Assets:				
Land	\$ 50,700	\$ -	\$ -	\$ 50,700
Buildings	533,273	-	-	533,273
Machinery and Equipment	556,935	-	-	556,935
Infrastructure	3,800,856	-	-	3,800,856
Construction in process	-	29,000	-	29,000
Total Business-type activities capital assets	\$ 4,941,764	\$ 29,000	\$ -	\$ 4,970,764

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Year Ended September 30, 2014

	Balance Outstanding <u>October 1, 2013</u>	<u>Transactions During Fiscal Year</u>		Balance Outstanding <u>September 30, 2014</u>
		<u>Issued</u>	<u>Redeemed</u>	
DEFINITION AND PURPOSE:				
General Obligation Bonds:				
Street Improvements, 1994	\$ 30,000	\$ -	\$ 30,000	\$ -
Street Improvements, 2011	<u>485,000</u>	<u>-</u>	<u>15,000</u>	<u>470,000</u>
	<u>515,000</u>	<u>-</u>	<u>45,000</u>	<u>470,000</u>
Other Long-term Debt:				
Water Well	39,778	-	16,175	23,603
Wastewater Treatment Improvements	121,895	-	23,805	98,090
Bank Loan	<u>-</u>	<u>87,700</u>	<u>-</u>	<u>87,700</u>
	<u>161,673</u>	<u>87,700</u>	<u>39,980</u>	<u>209,393</u>
TOTAL	<u>\$ 676,673</u>	<u>\$ 87,700</u>	<u>\$ 84,980</u>	<u>\$ 679,393</u>

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CITY OF UNION, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2014

<u>N a m e</u>	<u>P o s i t i o n</u>	<u>S u r e t y</u>	<u>B o n d A m o u n t</u>
Cheryl A. Chaney	City Clerk	Western Surety Company	\$ 50,000
Joan Mulford	Secretary	Western Surety Company	\$ 50,000
Wayne Welch	Mayor	Travelers Casualty & Surety Company of America	\$ 50,000
Paul Lowery	Alderman	Travelers Casualty & Surety Company of America	\$ 50,000
Billy McCune	Alderman	Travelers Casualty & Surety Company of America	\$ 50,000
Rex Germany	Alderman	Travelers Casualty & Surety Company of America	\$ 50,000
Harvey Hickmon	Alderman	Travelers Casualty & Surety Company of America	\$ 50,000
H. Stanley Walker	Alderman	Travelers Casualty & Surety Company of America	\$ 50,000
Billy Pat Walker	Police Chief	Western Surety Company	\$ 50,000
David Gilmore	Police Officer	Western Surety Company	\$ 50,000
Police Department Part-time Employees	Police Officer	Western Surety Company	\$ 100,000
P. L. Gage, Jr.	Police Officer	Western Surety Company	\$ 50,000
Timothy Munn	Police Officer	Western Surety Company	\$ 50,000
James David Boatner	Police Officer	Western Surety Company	\$ 50,000
Jacob A. Moore	Police Officer	Western Surety Company	\$ 50,000
Christopher Kiley Culpepper	Police Officer	Western Surety Company	\$ 50,000
Tammy	Drug Dog	JGA	\$ 4,500

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1927-2011

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

Honorable Mayor and Board of Aldermen
City of Union, Mississippi

We have audited the combined statement of cash receipts and disbursements (all funds) of the City of Union, Mississippi for the year ended September 30, 2014, and have issued our report dated November 18, 2014. We have conducted our audit in accordance with auditing standards generally accepted in the United State of America.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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 disclosed the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

Finding: An itemized report of all revenues, cost and expenses incurred during the immediately preceding year in operating the garbage collection system was not published. The finding was noted in the previous year's audit.

Response: In future years, this report will be published.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the 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.

Price & Co.

Price & Co.
Forest, Mississippi

November 18, 2014

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Honorable Mayor and Board of Aldermen
City of Union, Mississippi

We have audited the financial statement of the City of Union, Mississippi for the year ended September 30, 2014. 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 August 19, 2014. 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 City of Union, 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 the year ended September 30, 2014. We noted no transactions entered into by the City of Union, Mississippi 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 appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statement taken as a whole.

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 November 18, 2014.

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 City of Union, Mississippi'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 generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Union, Mississippi'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 engaged to report on the Schedules of Investments, Capital Assets, Long-Term Debt, and Surety Bonds for Municipal Officials, which accompany the financial statement but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

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Honorable Mayor and Board of Aldermen
City of Union, Mississippi

In planning and performing our audit of the financial statement of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Union, Mississippi as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Union, Mississippi's internal control over financial reporting (internal control) as a basis for designing auditing 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 City of Union, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Union, 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 a material weakness.

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

The City does not maintain an adequate segregation of duties as to cash and investments receipting and depositing; posting of general ledger; purchases and purchase approval; goods receiving and subsequent disbursements.

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



Price & Co.

Forest, Mississippi

November 18, 2014

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Restriction on Use

This information is intended solely for the use of the Board of Aldermen and management of the City of Union, Mississippi and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price & Co.

Price & Co.