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CITY OF
UNION

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

December 2, 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, 2015. In connection with this audit, a separate management letter was written to the city. Enclosed you will find a copy of this management letter along with audit reports.

Sincerely,


Wayne Welch
Mayor

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CITY OF UNION, MISSISSIPPI
AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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**CITY OF UNION, MISSISSIPPI
ANNUAL FINANCIAL STATEMENT
For the Year Ended September 30, 2015**

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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 governmental activities, business-type activities, and the major fund of the City of Union, Mississippi, as of and for the year ended September 30, 2015, 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 on the basis of cash receipts and disbursements; 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 basis financial position of the governmental activities, the business-type activities, and the major fund of the City of Union, Mississippi as of September 30, 2015, and the respective changes in cash basis financial position thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

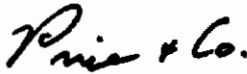
Other Matters

Omission of Required Supplementary Information

The City of Union, Mississippi omitted the Management's Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Other Required Supplementary Information

The Schedule of Investments - All Funds, Schedule of Capital Assets, Schedule of Changes in Long-Term Debt, and Schedule of Surety Bonds for Municipal Officials and Employees 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.



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Forest, Mississippi

November 12, 2015

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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, 2015, 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.

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Forest, Mississippi

November 12, 2015

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November 12, 2015

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, 2015. 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 12, 2015. 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, 2015. 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

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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 12, 2015.

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 applied certain limited procedures to the Schedules of Investments, Capital Assets, Changes in Long-Term Debt, and Surety Bonds for Municipal Officials and Employees, which are required supplementary information (RSI) that supplements the basic financial statement. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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.

CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Year Ended September 30, 2015

	T o t a l s			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>
				<u>(Memorandum Only)</u>
				<u>2015</u>
				<u>2014</u>
RECEIPTS				
Taxes				
General Property Taxes	\$ 310,203	\$ -	\$ -	\$ 310,203
Penalties and Interest on Delinquent Taxes	2,442	-	-	2,442
Rail Car Tax	3,803	-	-	3,803
Mississippi Housing Authority	6,050	-	-	6,050
Licenses and Permits				
Franchise charges - utilities	96,816	-	-	96,816
Other	9,905	-	-	9,905
Intergovernmental Revenues:				
Federal Receipts				
Grants	2,399	9,777	-	410,154
TVA	124	-	-	124
General Municipal Aid (From State)	991	-	-	991
State Shared Revenues:				
Sales Taxes	354,403	-	-	354,403
Gasoline Tax	-	6,088	-	6,088
Motor Vehicle Tax	58,770	-	-	58,770
Fire Insurance Premium Distribution	-	10,817	-	10,817
Law Enforcement Grants	838	-	-	838
Small Municipalities Grant	149,168	-	-	149,168
County Grants and Shared Receipts				
Road Taxes	28,732	-	-	28,732
Fire Calls	-	6,748	-	6,748
Interest income	4,345	54	-	7,235
Rent	51,615	-	-	51,615
Sale of Cemetery Lots	3,850	-	-	3,850
Sale of Vehicles	1,177	-	-	1,177
Contribution from Businesses and Individuals	866	-	-	866
Charges For Services:				
Water Utility	-	-	-	681,088
Garbage Collection	124,912	-	-	124,912
Summer Recreation Program	10,035	-	-	10,035
Fines and Forfeits	58,292	-	-	58,292
Miscellaneous Receipts	603	-	-	603
Total Receipts	1,280,339	33,484	-	2,407,901
				1,859,888

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

CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Year Ended September 30, 2015

	T o t a l s				
	General	Special Revenue	Debt Service	Proprietary Fund	(Memorandum Only) 2014
DISBURSEMENTS					
General Government (Executive and Financial)	\$ 174,640	\$ -	\$ -	\$ -	\$ 174,640
Public Safety					\$ 182,083
Police	529,800	-	-	-	498,870
Fire	19,715	39,833	-	-	17,187
Highways and Streets	300,752	-	-	-	99,487
Sanitation	96,335	-	-	-	94,943
Culture and Recreation:					-
Parks	18,855	-	-	-	19,757
Library	19,355	-	-	-	15,000
Enterprise:					-
Water Utility	-	-	-	1,055,580	732,878
Bonds Retired	-	-	38,206	-	81,141
Bank Loans Repaid	33,423	-	-	52,681	27,106
Total Disbursements	1,192,875	39,833	38,206	1,108,261	1,768,452
Excess (Deficiency) of receipts over disbursements	87,464	(6,349)	(38,206)	(14,183)	91,436
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	82,025	-	-	-	87,700
Transfers	(48,498)	(3,231)	38,206	13,523	-
Total other financing resources (uses)	33,527	(3,231)	38,206	13,523	87,700
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	120,991	(9,580)	-	(660)	179,136
CASH BASIS FUND BALANCE - BEGINNING OF YEAR	866,250	137,599	-	533,973	1,358,686
CASH BASIS FUND BALANCE - END OF YEAR	\$ 987,241	\$ 128,019	\$ -	\$ 533,313	\$ 1,537,822

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

CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2015

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	-	6,312
 Water and Sewer Enterprise Fund		
General Fund	42,454	-
 Special Revenue Fund		
General Fund	<u>6,312</u>	<u>-</u>
	<u>\$ 48,766</u>	<u>\$ 48,766</u>

CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2015

Note 3 Commitments and Contingencies

Over the past fifteen years, the City has collected \$22,006 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.

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CITY OF UNION, MISSISSIPPI
 SCHEDULE OF INVESTMENTS - ALL FUNDS
 September 30, 2015

<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	0.35%	12/15/2014	12/15/2015	The Citizens Bank	\$ 53,062
General Fund	Certificate of Deposit	0.35%	12/15/2014	12/15/2015	The Citizens Bank	53,062
Water and Sewer Fund	Certificate of Deposit	0.85%	5/8/2014	11/8/2015	The Citizens Bank	<u>274,927</u>
TOTAL INVESTMENTS						<u>\$ 381,051</u>

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI
SCHEDULE OF CAPITAL ASSETS
For the Year Ended September 30, 2015

		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	127,409	41,742	1,199,359
Infrastructure	2,173,675	149,168	-	2,322,843
Construction in process	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental activities capital assets	<u>\$ 5,837,580</u>	<u>\$ 276,577</u>	<u>\$ 41,742</u>	<u>\$ 6,072,415</u>
Business-type activities:				
Capital Assets:				
Land	\$ 50,700	\$ -	\$ -	\$ 50,700
Buildings	533,273	-	-	533,273
Machinery and Equipment	556,935	3,600	-	560,535
Infrastructure	3,800,856	439,154	-	4,240,010
Construction in process	<u>29,000</u>	<u>-</u>	<u>29,000</u>	<u>-</u>
Total Business-type activities capital assets	<u>\$ 4,970,764</u>	<u>\$ 442,754</u>	<u>\$ 29,000</u>	<u>\$ 5,384,518</u>

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI
 SCHEDULE OF CHANGES IN LONG TERM DEBT
 For the Year Ended September 30, 2015

	Balance Outstanding October 1, 2014	Transactions During Fiscal Year		Balance Outstanding September 30, 2015
		Issued	Redeemed	
DEFINITION AND PURPOSE:				
General Obligation Bonds:				
Street Improvements, 2011	\$ 470,000	\$ -	\$ 20,000	\$ 450,000
Other Long-term Debt:				
Water Well	23,603	-	21,204	2,399
Wastewater Treatment Improvements	98,090	-	24,289	73,801
Bank Loan	87,700	-	5,000	82,700
Police Car	-	25,771	9,387	16,384
Tractor and Cutter	-	56,253	19,847	36,406
	209,393	82,024	79,727	211,690
TOTAL	\$ 679,393	\$ 82,024	\$ 99,727	\$ 661,690

See accompanying notes and accountant's report.

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CITY OF UNION, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS AND EMPLOYEES
 September 30, 2015

<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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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, 2015, and have issued our report dated November 12, 2015. 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 instances of noncompliance with state laws and regulations. Our findings and recommendations and your response are 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.

Recommendation: This report should be published in the local newspaper

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

Finding: The budget for Sewer Contractual/Other Service was exceeded by \$189.

Recommendation: The budget should be amended for all overexpenditures.

Response: In future years, the budget will not be exceeded.

Finding: A radio tower purchased was a single source item. This fact was not noted in board minutes.

Recommendation: All single source purchases should be noted as such in the board minutes.

Response: The board will note in its minutes any purchases of single source items as single source items.

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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 12, 2015