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CITY OF  
**UNION**

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

December 5, 2018

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, 2018. In connection with this audit a separate management letter was written to the city. Enclosed you will a copy of this management letter along with the audit reports.

Sincerely,

*Wayne Welch*

Wayne Welch, Mayor

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# PRICE & Co.

## Certified Public Accountants

*A Professional Association*

P.O. Box 364 - 106 East Third Street

Forest, Mississippi 39074

Phone: (601) 469-4020 - Fax: (601) 469-4028

E-mail address: billyprice62@yahoo.com

William N. Price, Jr. CPA

Member: American Institute of Certified Public Accountants

Mississippi Society of Certified Public Accountants

William Newman Price, CPA

1927-2011

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, each major fund, and the aggregate remaining fund information of the City of Union, Mississippi as of and for the year ended September 30, 2018, 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.*

Price & Co.

Forest, Mississippi

November 14, 2018

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1927-2011

November 14, 2018

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, 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 July 30, 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 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, 2018. 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 14, 2018

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 not engaged to report on the Schedules of Investments, Capital Assets, Changes in Long-Term Debt, and Surety Bonds for Municipal Officials and Employees, which accompany the financial statement but are not required supplementary information. 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 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**  
**AUDITED FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CITY OF UNION, MISSISSIPPI  
ANNUAL FINANCIAL STATEMENT  
For the Year Ended September 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT ON THE COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS) 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 each major fund of the City of Union, Mississippi, as of and for the year ended September 30, 2018, 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.

DEC 12 2019

## **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 each major fund of the City of Union, Mississippi as of September 30, 2018, 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.

## **Emphasis of Matter**

As discussed in Note 1, the City of Union, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

*Price & Co.*

Price & Co.  
Forest, Mississippi

November 14, 2018

DEC 12 2018

**CITY OF UNION, MISSISSIPPI**  
**COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)**  
**For the Year Ended September 30, 2018**

				<b>Totals</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>Proprietary Fund</b>	<b>(Memorandum Only)</b>	
				<b>2018</b>	<b>2017</b>
<b>RECEIPTS</b>					
<b>Taxes</b>					
General Property Taxes	\$ 286,987	\$ -	\$ -	\$ 286,987	\$ 297,136
Penalties and Interest on Delinquent Taxes	2,208	-	-	2,208	2,134
Rail Car Tax	5,685	-	-	5,685	4,357
Mississippi Housing Authority	6,086	-	-	6,086	-
<b>Licenses and Permits</b>					
Franchise charges - utilities	86,915	-	-	86,915	84,626
Other	3,950	-	-	3,950	3,820
<b>Intergovernmental Revenues:</b>					
<b>Federal Receipts</b>					
Grants	-	-	386,898	386,898	40,000
TVA	600	-	-	600	676
General Municipal Aid (From State)	991	-	-	991	991
<b>State Shared Revenues:</b>					
Sales Taxes	295,696	-	-	295,696	309,735
Gasoline Tax	-	6,088	-	6,088	6,088
Motor Vehicle Tax	69,614	-	-	69,614	55,211
Fire Insurance Premium Distribution	-	11,348	-	11,348	11,131
Law Enforcement Grants	2,788	-	-	2,788	2,720
<b>County Grants and Shared Receipts</b>					
Road Taxes	36,388	-	-	36,388	30,930
Fire Calls	-	-	-	-	6,958
Interest income	2,770	89	2,520	5,379	5,424
Rent	76,840	-	-	76,840	66,670
Sale of Cemetery Lots	3,750	-	-	3,750	1,000
Sale of Vehicles	1,559	15,000	-	16,559	-
Contribution from Businesses and Individuals	-	-	-	-	2,109
<b>Charges For Services:</b>					
Water Utility	-	-	812,485	812,485	701,815
Garbage Collection	125,083	-	-	125,083	126,474
Summer Recreation Program	9,315	-	-	9,315	8,115
Fines and Forfeits	52,753	-	-	52,753	49,474
Miscellaneous Receipts	1,249	-	-	1,249	2,200
<b>Total Receipts</b>	<b>\$1,071,227</b>	<b>\$ 32,525</b>	<b>\$ 1,201,903</b>	<b>\$2,305,655</b>	<b>\$1,819,794</b>

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, 2018**

				<b>T o t a l s</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>Proprietary Fund</b>	<b>(Memorandum Only)</b>	
				<b>2018</b>	<b>2017</b>
<b>DISBURSEMENTS</b>					
General Government (Executive and Financial)	\$ 248,450	\$ -	\$ -	\$ 248,450	\$ 262,772
Public Safety					
Police	513,038	-	-	513,038	531,735
Fire	21,297	14,485	-	35,782	20,257
Highways and Streets	94,649	-	-	94,649	134,174
Sanitation	110,970	-	-	110,970	107,891
Culture and Recreation:					
Parks	18,140	-	-	18,140	16,622
Library	19,625	-	-	19,625	17,963
Enterprise:					
Water Utility	-	-	1,069,052	1,069,052	733,388
Bonds Retired	37,256	-	-	37,256	37,106
Bank Loans and Capital Lease Payments Repaid	21,321	-	141,802	163,123	94,811
<b>Total Disbursements</b>	<b>1,084,746</b>	<b>14,485</b>	<b>1,210,854</b>	<b>2,310,085</b>	<b>1,956,719</b>
<b>Excess (Deficiency) of receipts over disbursements</b>	<b>(13,519)</b>	<b>18,040</b>	<b>(8,951)</b>	<b>(4,430)</b>	<b>(136,925)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan Proceeds	-	-	78,850	78,850	82,213
Transfers	4,672	(3,188)	(1,484)	-	-
<b>Total other financing resources (uses)</b>	<b>4,672</b>	<b>(3,188)</b>	<b>77,366</b>	<b>78,850</b>	<b>82,213</b>
<b>Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(8,847)</b>	<b>14,852</b>	<b>68,415</b>	<b>74,420</b>	<b>(54,712)</b>
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<b>989,833</b>	<b>170,289</b>	<b>529,715</b>	<b>1,689,837</b>	<b>1,744,549</b>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<b>\$ 980,986</b>	<b>\$ 185,141</b>	<b>\$ 598,130</b>	<b>\$ 1,764,257</b>	<b>\$ 1,689,837</b>

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

**CITY OF UNION, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENT  
September 30, 2018**

**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:

	<b><u>Due From</u></b>	<b><u>Due To</u></b>
<b>General Fund</b>		
Water and Sewer Enterprise Fund	\$ 2,398	\$ -
Special Revenue Fund	-	15,589
<b>Water and Sewer Enterprise Fund</b>		
General Fund	-	2,398
<b>Special Revenue Fund</b>		
General Fund	15,589	-
	<u>\$ 17,987</u>	<u>\$ 17,987</u>

**CITY OF UNION, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENT**  
**September 30, 2018**

**Note 3      Commitments and Contingencies**

Over the past eighteen years, the City has collected \$30,898 more than it spent on the revenue raised from the Library millage. This amount must be spent in the future on the Library. The City collected \$2,760 more in the year ended September 30, 2018 than it spent on the revenue raised from the street millage. This amount must be spent in the future on the streets.

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.

CITY OF UNION, MISSISSIPPI  
 SCHEDULE OF INVESTMENTS - ALL FUNDS  
 September 30, 2018

<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%	12/15/2017	12/15/2018	The Citizens Bank	\$ 54,214
General Fund	Certificate of Deposit	0.75%	12/15/2017	12/15/2018	The Citizens Bank	54,214
Water and Sewer Fund	Certificate of Deposit	0.85%	5/8/2017	11/8/2018	The Citizens Bank	<u>282,020</u>
<b>TOTAL INVESTMENTS</b>						<u><u>\$ 390,448</u></u>

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI  
SCHEDULE OF CAPITAL ASSETS  
For the Year Ended September 30, 2018

		Transactions During Fiscal Year		
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets:				
Land	\$ 1,693,401	\$ -	\$ -	\$ 1,693,401
Buildings	868,242	-	-	868,242
Machinery and Equipment	1,301,894	78,850	33,047	1,347,697
Infrastructure	2,354,843	-	-	2,354,843
Construction in process	-	-	-	-
Total Governmental activities capital assets	<u>\$ 6,218,380</u>	<u>\$ 78,850</u>	<u>\$ 33,047</u>	<u>\$ 6,264,183</u>
Business-type activities:				
Capital Assets:				
Land	\$ 50,700	\$ -	\$ -	\$ 50,700
Buildings	533,273	-	-	533,273
Machinery and Equipment	586,900	10,133	-	597,033
Infrastructure	4,240,010	424,492	-	4,664,502
Construction in process	40,000	-	40,000	-
Total Business-type activities capital assets	<u>\$ 5,450,883</u>	<u>\$ 434,625</u>	<u>\$ 40,000</u>	<u>\$ 5,845,508</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, 2018

	Balance Outstanding October 1, 2017	Transactions During Fiscal Year		Balance Outstanding September 30, 2018
		Issued	Redeemed	
<b>DEFINITION AND PURPOSE:</b>				
<b>General Obligation Bonds:</b>				
Street Improvements, 2011	\$ 410,000	\$ -	\$ 20,000	\$ 390,000
<b>Other Long-term Debt:</b>				
Wastewater Treatment Improvements	23,704	-	23,704	-
Bank Loan	45,000	-	45,000	-
Dump Truck	-	78,850	4,630	74,220
Excavator	2,070	-	2,070	-
2016 Ford Police Interceptor	3,486	-	3,486	-
2017 Ford Police Interceptor	28,171	-	16,564	11,607
2017 Ford F350	24,166	-	12,852	11,314
Bank Loan	48,200	-	48,200	-
	<u>174,797</u>	<u>78,850</u>	<u>156,506</u>	<u>97,141</u>
<b>TOTAL</b>	<u>\$ 584,797</u>	<u>\$ 78,850</u>	<u>\$ 176,506</u>	<u>\$ 487,141</u>

See accompanying notes and accountant's report.

CITY OF UNION, MISSISSIPPI  
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS AND EMPLOYEES  
 September 30, 2018

<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
Timothy Munn	Police Officer	Western Surety Company	\$ 50,000
Lawrence Edward Card	Police Officer	Western Surety Company	\$ 50,000
Don Collins	Police Officer	Western Surety Company	\$ 50,000
Steven Bell	Police Officer	Western Surety Company	\$ 50,000
Tammy	Drug Dog	JGA	\$ 4,500

See accompanying notes and accountant's report.

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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, 2018, and have issued our report dated November 14, 2018. 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:** Budgeted expenditure for two loans were \$27,000. The loans were paid off during the year, and \$93,000 was expended.

**Recommendation:** The budget should be amended before budgeted expenditures are exceeded.

**Response:** In future years, if loan payments will exceed budgeted figures, the budget will be amended.

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 14, 2018