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CITY OF UNION, MISSISSIPPI
AUDITED FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

**CITY OF UNION, MISSISSIPPI
FINANCIAL AUDIT REPORT
For the Fiscal Year Ended September 30, 2007**

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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: bprice@localink4.com

William N. Price, Jr., C.P.A.

Member: American Institute of Certified Public Accountants

Mississippi Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS) AND SUPPLEMENTARY INFORMATION

Honorable Mayor and Board of Aldermen
City of Union, Mississippi

We have audited the accompanying combined statement of cash receipts and disbursements (all funds) of the City of Union, Mississippi for the year ended September 30, 2007. This financial statement is the responsibility of the City of Union, Mississippi's management. 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Management has not presented government-wide financial statements to display the cash receipts and disbursements of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, as applied to the City's cash receipts and disbursements basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements resulting from cash receipts and disbursements transactions for the City's governmental activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with the basis of accounting described in Note 1, the cash receipts and disbursements financial position of the City of Union, Mississippi, for the year then ended.

Management also has not presented the management's discussion and analysis and other required supplemental information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the combined statement of cash receipts and disbursements (all funds). The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole, on the basis of accounting described in Note 1.

Price & Co.

Price & Co.
Forest, Mississippi

November 30, 2007

CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
 For the Fiscal Year Ended September 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>T o t a l s</u>	
						<u>2007</u>	<u>(Memorandum Only) 2006</u>
Revenue Receipts:							
General Property Taxes	\$ 234,890	\$ -	\$ -	\$ -	\$ -	\$ 234,890	\$ 213,633
Penalties and Interest on Delinquent Taxes	1,087	-	-	-	-	1,087	1,453
Rail Car Tax	3,551	-	-	-	-	3,551	3,341
Mississippi Housing Authority	4,161	-	-	-	-	4,161	3,460
Licenses and Permits	99,981	-	-	-	-	99,981	88,897
Utility Franchise Charges	11,884	-	-	-	-	11,884	12,033
Other							
Intergovernmental Revenues:							
Federal Revenue							
Grants	68,986	40,000	-	177,954	-	286,940	49,451
TVA	354	-	-	-	-	354	303
Hurricane Reimbursement	-	-	-	-	-	-	6,747
General Municipal Aid (From State)	1,053	-	-	-	-	1,053	1,053
State Shared Revenues:							
Sales Tax	353,103	-	-	-	-	353,103	356,318
Gasoline Tax	-	5,683	-	-	-	5,683	5,684
Motor Vehicle Tax	48,474	-	-	-	-	48,474	52,124
Fire Insurance Premium Tax Distribution	-	9,564	-	-	-	9,564	10,278
MEMA	100	-	-	-	-	100	-
Law Enforcement Grants	2,700	-	-	-	-	2,700	2,729
Small Municipalities Grant	150,000	-	-	-	-	150,000	-
Department of Wildlife	7,437	-	-	-	-	7,437	-
County Grants and Shared Receipts							
Road Taxes	26,955	-	-	-	-	26,955	26,714
Fire Calls	-	7,786	-	-	-	7,786	15,491
Interest income	14,597	151	-	12,975	-	27,723	21,363
Rent	50,190	-	-	-	-	50,190	23,990
Sale of Cemetery Lots	1,200	-	-	-	-	1,200	2,200
Contribution from Choctaw Indians	25,000	-	-	-	-	25,000	-
Contribution from Business	1,000	-	-	-	-	1,000	-
Sale of Land	2,000	-	-	-	-	2,000	2,000
Sale of Personal Property	102	-	-	-	-	102	1,449
Contributions from Individuals	-	-	-	-	-	-	2,289
Charges For Services:							
Water Utility	-	-	-	465,367	-	465,367	449,795
Garbage Collection	86,532	-	-	-	-	86,532	85,746
Summer Recreation Program	6,815	-	-	-	-	6,815	6,055
Fines and Forfeits	72,673	-	-	-	-	72,673	47,253
Total Revenue Receipts	<u>1,274,825</u>	<u>63,184</u>	<u>-</u>	<u>656,296</u>	<u>-</u>	<u>1,994,305</u>	<u>1,491,849</u>

-Continued-

CITY OF UNION, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Fiscal Year Ended September 30, 2007

	General	Special Revenue	Debt Service	Proprietary Fund	Fiduciary Funds	T o t a l s	
						(Memorandum Only) 2007	2006
Other Receipts:							
Loans and Transfers	\$ 20,000	\$ 1,053	\$ 57,241	\$ -	\$ -	\$ 78,294	\$ 70,106
Total Receipts	1,294,825	64,237	57,241	656,296	-	2,072,599	1,561,955
Cash Balance - Beginning of Year	581,203	37,913	-	622,812	8,368	1,250,296	1,146,370
TOTAL AMOUNT TO ACCOUNT FOR	\$ 1,876,028	\$ 102,150	\$ 57,241	\$ 1,279,108	\$ 8,368	\$ 3,322,895	\$ 2,708,325
Operating Disbursements:							
General Government (Executive and Financial)	\$ 186,603	\$ -	\$ -	\$ -	\$ -	\$ 186,603	\$ 166,772
Public Safety							
Police	394,796	-	-	-	-	394,796	325,020
Fire	17,754	-	-	-	-	17,754	10,110
Highways and Streets	140,751	-	-	-	-	140,751	127,400
Sanitation	108,039	-	-	-	-	108,039	102,792
Culture and Recreation:							
Parks	24,982	-	-	-	-	24,982	21,790
Libraries	16,952	-	-	-	-	16,952	14,010
Enterprise:							
Water Utility	-	-	-	319,200	-	319,200	293,175
Total Operating Disbursements	889,877	-	-	319,200	-	1,209,077	1,061,069
Other Disbursements:							
Bonds Retired	-	-	45,554	73,126	-	118,680	128,897
Bank Loans Repaid	-	-	11,687	6,670	-	18,357	18,377
Capital Outlay	334,901	40,000	-	177,954	-	552,855	179,580
Loans and Transfers	58,294	20,000	-	-	-	78,294	70,106
Total Other Disbursements	393,195	60,000	57,241	257,750	-	768,186	396,960
Total Disbursements	1,283,072	60,000	57,241	576,950	-	1,977,263	1,458,029
Cash Balance - End of Year	592,956	42,150	-	702,158	8,368	1,345,632	1,250,296
TOTAL AMOUNT ACCOUNTED FOR	\$ 1,876,028	\$ 102,150	\$ 57,241	\$ 1,279,108	\$ 8,368	\$ 3,322,895	\$ 2,708,325

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

**CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2007**

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.

C. **Economic Dependence**

The city collects approximately 5.85% of its enterprise fund revenue from one user, a local poultry plant.

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	\$ -	\$ 43,587
Special Revenue Fund	2,106	-
Water and Sewer Enterprise Fund		
General Fund	43,587	-
Special Revenue Fund		
General Fund	-	2,106
	\$ 45,693	\$ 45,693

CITY OF UNION, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENT
September 30, 2007

Note 3 Commitments and Contingencies

Over the past seven years, the City has collected \$19,357 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.

At September 30, 2007, the City has secured a \$250,000 loan at 3.00% from the Mississippi Development Authority to finance wastewater treatment improvements.

At September 30, 2007, the city has received \$50,000 in grant funds from the State of Mississippi to be used as part of \$144,000 to be spent on street paving.

On November 6, 2007, the city Council accepted a bid of \$157,305.50 to purchase a rebuilt end masher machine and a strapping machine, to be paid for from state grant funds.

CITY OF UNION, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2007

<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	5.00%	6/22/2007	12/19/07	The Citizens Bank	\$ 50,000
General Fund	Certificate of Deposit	5.00%	6/22/2007	12/19/07	The Citizens Bank	<u>50,000</u>
TOTAL INVESTMENTS						<u>\$ 100,000</u>

CITY OF UNION, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2007

	Balance Outstanding <u>October 1, 2006</u>	Transactions During Fiscal Year		Balance Outstanding <u>September 30, 2007</u>
		<u>Issued</u>	<u>Redeemed</u>	
DEFINITION AND PURPOSE:				
General Obligation Bonds:				
Street Improvements, 1981	\$ 12,000	\$ -	\$ 12,000	\$ -
Sewer, 1990	160,000	-	35,000	125,000
Street Improvements, 1994	<u>210,000</u>	<u>-</u>	<u>20,000</u>	<u>190,000</u>
	<u>382,000</u>	<u>-</u>	<u>67,000</u>	<u>315,000</u>
Revenue Bond:				
Sewer, 1975	<u>69,000</u>	<u>-</u>	<u>22,000</u>	<u>47,000</u>
Other Long-term Debt:				
Water Well	74,578	-	4,463	70,115
Equipment Lease	<u>22,591</u>	<u>-</u>	<u>11,110</u>	<u>11,481</u>
	<u>97,169</u>	<u>-</u>	<u>15,573</u>	<u>81,596</u>
TOTAL	<u>\$ 548,169</u>	<u>\$ -</u>	<u>\$ 104,573</u>	<u>\$ 443,596</u>

CITY OF UNION, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2007

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Cheryl A. Chaney	Town Clerk	Employers Mutual Insurance Company	\$ 50,000
Joan Mulford	Secretary	Employers Mutual Insurance Company	\$ 10,000
Max Sessums	Mayor	Employers Mutual Insurance Company	\$ 25,000
Lois Adkins	Alderman	United States Fidelity and Guaranty	\$ 25,000
Billy McCune	Alderman	United States Fidelity and Guaranty	\$ 25,000
Rex Germany	Alderman	United States Fidelity and Guaranty	\$ 25,000
Bobbye W. McElroy	Alderman	United States Fidelity and Guaranty	\$ 25,000
Wayne Welch	Alderman	United States Fidelity and Guaranty	\$ 25,000
Billy Pat Walker	Police Chief	Employers Mutual Insurance Company	\$ 50,000
Darryl T. Dukes	Police Officer	Employers Mutual Insurance Company	\$ 25,000
Police Department Part-time Employees	Police Officer	Employers Mutual Insurance Company	\$ 25,000
P. L. Gage	Police Officer	Employers Mutual Insurance Company	\$ 25,000
Joseph D. Hathorn	Police Officer	Employers Mutual Insurance Company	\$ 25,000
Timothy Munn	Police Officer	Employers Mutual Insurance Company	\$ 25,000
Herbert B. Withers	Police Officer	Employers Mutual Insurance Company	\$ 25,000
Russell Scott Ellis	Police Officer	Employers Mutual Insurance Company	\$ 25,000

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COMMUNICATION OF REPORTABLE CONDITION

Honorable Mayor and Board of Aldermen
City of Union, Mississippi

In planning and performing our audit of the combined statement of cash receipts and disbursements (all funds) of the City of Union, Mississippi for the year ended September 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the combined statement of cash receipts and disbursements (all funds) and not to provide assurance on the internal control.

However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Union, Mississippi's ability to record, process, summarize, and report financial data consistent with the assertions of management in the combined statement of cash receipts and disbursements (all funds).

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the combined statement of cash receipts and disbursements (all funds) being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness.

Finding: The City does not maintain an adequate segregation of duties as to cash and investments receipting and depositing; posting of receipts and disbursements journal and general ledger; purchases and purchase approval; goods receiving and subsequent disbursements. This condition was noted in the September 30, 2006 audit report.

Recommendation: Most smaller municipalities do not find it cost effective to employ enough personnel to have an adequate segregation of accounting duties. The City Council should closely monitor the City's finances.

Response: The Mayor closely monitors the City's day-to-day finances.

This report is intended for the information of the City of Union, Mississippi, Mayor and Board of Aldermen, and the appropriate grantor agency. However, this report is a matter of public record and its distribution is not limited.

Price & Co.

Price & Co.
Forest, Mississippi

November 30, 2007

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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, 2007, and have issued our report dated November 30, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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 no material instances of noncompliance with state laws and regulations. The prior year finding has been corrected.

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 30, 2007