City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Meeting Agenda - Final

Wednesday, July 11, 2018

5:15 PM

Council Chambers

City Council - Special Called Meeting

City Council
Special Called Meeting

1. 2018-615 Acknowledge receipt of the Audited Financial Statements of the City of Hattiesburg for the fiscal year ending September 30, 2016, from Topp McWhorter Harvey PLLC (On file in the City Clerk's Office).

Attachments: Council Communication Letter FY 2016
Communication of findings FY 2016
City of Hattiesburg Audit Report FYE 9-30-2016

2. 2018-614 Authorize Council President to execute duplicate contract with Topp McWhorter Harvey PLLC to audit the financial statements of the City of Hattiesburg for the fiscal year ended September 30, 2017.

Attachments: Audit Engagement Letter FY 2017
Executed Audit Engagement Letter FY 2017 with Topp McWhorter Harvey PLL(

3. 2018-617 Authorize Jackson, Tullos & Rogers,PLLC, to file Eminent Domain on behalf of the City of Hattiesburg to acquire property located off William Carey Parkway, PArcel#2-038K-21-009.00,PPIN 27403, for public purpose.

Attachments: engagement letter
Executed - engagement letter

4. 2018-616 Designate "Laughs 4 Life", to be held August 1, 2018, Downtown Hattiesburg as a city-approved event for the purposes described in Ordinance Number 3148.

Attachments: Laughs 4 Life- Application
Ordinance 3148

5. 2018-599 Authorize the acceptance of the FY17 Edward Byrne Justice Assistance Grant (JAG) Pprogram Award from the US Department of Justice in the amount of $18,795 and authorize the Mayor to execute the same.

Attachments: 2017 Byrne Grant Award
Executed - 2017 Byrne Grant Award

City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Master

File Number: 2018-615

File ID:	2018-615	**Type:**	Regular Agenda Item	**Status:**	Approved
Version:	1	**Reference:**		**In Control:**	City Council
Requester:				**File Created:**	07/10/2018
Brief Title:	Acknowledge receipt of Audited Financial Statements of City of Hattiesburg for fiscal year ending 9/30/2016.			**Final Action:**	07/11/2018
				Minute Book Number:	MB 2018-173

Title:

Acknowledge receipt of the Audited Financial Statements of the City of Hattiesburg for the fiscal year ending September 30, 2016, from Topp McWhorter Harvey PLLC (On file in the City Clerk's Office).

Notes:

		Agenda Date:	07/11/2018
Indexes:		**Agenda Number:**	1.
Sponsors:		**Enactment Date:**	
Attachments:	Council Communication Letter FY 2016, Communication of findings FY 2016, City of Hattiesburg Audit Report FYE 9-30-2016	**Enactment Number:**	
Contact:		**Meeting Date:**	07/11/2018
Drafter:		**Effective Date:**	

History of Legislative File

Ver-sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council - Special Called Meeting	07/11/2018	Acknowledge				Pass

Action Text: A MOTION was made by Council Vice President Dryden and seconded by Council Member Delgado to Acknowledge receipt of the Audited Financial Statements of the City of Hattiesburg for the fiscal year ending September 30, 2016, from Topp McWhorter Harvey PLLC (On file in the City Clerk's Office).

Paige Johnson and Joe Townsend of Topp McWhorter Harvey,PLLC appeared before the Council to provide an overview of the 2016 Audit.

Following discussion, the Motion received the affirmative vote of the Council as follows:

Yeas: 5 - George, Delgado, Carroll, Dryden and Brown

Nays: 0

Yea:	5	Delgado Carroll Dryden Brown George

Text of Legislative File 2018-615

Title

Acknowledge receipt of the Audited Financial Statements of the City of Hattiesburg for the fiscal year ending September 30, 2016, from Topp McWhorter Harvey PLLC (On file in the City Clerk's Office).

Summary

Acknowledge receipt of Audited Financial Statements of City of Hattiesburg for fiscal year ending 9/30/2016.

Budget Information

Expenditure Type

Purchasing Item

Publication Information

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TMH
TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

To the Mayor, Members of the City Council
and Management of the City of Hattiesburg
City of Hattiesburg, Mississippi
Post Office Box 1898
Hatteisburg, Mississippi 39403-1898

To the Mayor, Members of the City Council and Management of the City of Hattiesburg:

We have audited the financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2016, and have issued our report thereon dated June 26, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 21, 2017, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Hattiesburg, Mississippi solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting material weaknesses and material noncompliance, and other matters noted during our audit in a separate letter to you dated June 26, 2018.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

To the Mayor, Members of the City Council
and Management of the City of Hattiesburg
City of Hattiesburg, Mississippi

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Hattiesburg is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the depreciation of capital assets is based on the estimated useful life of those assets. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimate of the allowance for doubtful accounts for water and sewer receivable is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimate of the allowance for uncollectible accounts for fines receivable is based on the historical industry average for the collection rate of police fines receivable. We evaluated the key factors and assumptions used to develop the allowance for fines receivable in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Hattiesburg's financial statements relate to:

- The disclosure of the Other Postemployment Benefits (OPEB) in Note 18 of the financial statements. We relied on the actuarial calculations in reporting the annual OPEB cost and net OPEB obligation.

- The disclosure of the Defined Benefit Pension Plans in Note 19 of the financial statements. We relied on the actuarial calculations in reporting net pension obligations and post-retirement benefit obligations.

To the Mayor, Members of the City Council
and Management of the City of Hattiesburg
City of Hattiesburg, Mississippi

Significant Difficulties Encountered during the Audit

Although we ultimately received full cooperation of management and believe that we were given direct and unrestricted access to the City of Hattiesburg, Mississippi's books and records, we encountered significant difficulties in performing and completing the audit process. Principally, these difficulties related to the poor condition of the books and records, lack of consistent and standard accounting procedures, lack of available documentation, and the lack of qualified personnel. All of these issues, as well as others, such as the turnover of senior-level management personnel, contributed to the problem and added to the time and related cost of the audit. Additionally, we were denied access to the predecessor auditor's working papers related to the FY 2015 audit. This required a significant amount of time and additional audit procedures to verify beginning balances for FY 2016. The inherent complexities associated with the City's financial reporting system required us to design alternative procedures in order to verify account balances and document transactions that were reported in the FY 2015 audit report.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management and are listed on the attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Hattiesburg's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 26, 2018.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Hattiesburg, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Hattiesburg, Mississippi's auditors.

To the Mayor, Members of the City Council
and Management of the City of Hattiesburg
City of Hattiesburg, Mississippi

Significant deficiencies and material weaknesses in internal controls were communicated in the financial statements in the schedule of findings and questioned costs and were communicated to the Mayor, City Council and City Management in a separate correspondence date June 26, 2018.

Additionally, we have the following recommendations to City Management:

- We recommend that the existing chart of accounts be annually reviewed and updated to facilitate reporting accuracy and clarity.
- We recommend the accounting department perform a periodic analytical review of account balances to identify unusual trends or errors on a timely basis for correction prior to year-end closeout, such as gas and oil inventory, workers' compensation premium allocation, and police open item clearing account.
- In conjunction with the state requirement that the City maintain an inventory of assets, we recommend the City reinstate the inventory tagging system. Additionally, we recommend a periodic verification of tagged assets as reported by the individual City departments.
- We recommend that the CFO and the Accounting Department develop a concise financial executive summary reporting document in order for management to have current updates pertaining to budgets, trends, and new developments on a timely basis.

Noncompliance with Laws and Regulations, Violations of Contract Provisions or Grant Agreements

We have identified specific matters involving noncompliance with laws and regulations, violations of contract provisions or grant agreements that came to our attention during the course of the audit as communicated in the financial statements in the schedule of findings and questioned costs.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of material misstatements and other changes needed that affect the prior period financial statements on which the predecessor auditor had previously reported.

As reported in Note 2, certain adjustments were recorded in fiscal year 2016 that are attributable to prior period corrections needed in reporting balances for compensated absences, capital assets (net of accumulated depreciation), and accrued interest on long-term debt.

Additionally, the value of assets reported in prior years for the City's Police and Firemen's Disability and Relief (PFDR) pension trust fund were adjusted for those amounts not held in custody at the local fund level. These assets are administered by the Public Employees Retirement System of Mississippi on behalf of the City, and, accordingly, should not be reported in the City's financial statements.

This report is intended solely for the information and use of the City of Hattiesburg's Mayor, Members of the City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

Client: ***City of Hattiesburg, Mississippi***
Engagement: ***Financial Statement Audit***
Period Ending: ***9/30/2016***

Account	Description	Debit	Credit

Adjusting Journal Entries

Adjusting Journal Entries JE # 21
To Correct balances in GLTDAG based upon scheduled amortization

Account	Description	Debit	Credit
998000.0950	DEFERRED TO FUTURE	676.00	
998000.1731.S15	SANITATION TRUCKS	44,030.00	
998000.0950	DEFERRED TO FUTURE		44,030.00
998000.1731.FT11	FIRE TRUCK LEASE		676.00
Total		**44,706.00**	**44,706.00**

Adjusting Journal Entries JE # 22
To correct P&I Components of Debt Payments made in W&S - recorded in Fund 10 as Subsidiary Long Term Debt outstanding balances at Sept. 30, 2016

Account	Description	Debit	Credit
010000.0970	DEFERRED TO FUTURE	549,881.00	
010000.1704.WS13	WATER & SEWER		549,881.00
Total		**549,881.00**	**549,881.00**

Adjusting Journal Entries JE # 23
To correct coding of certain W&S debt payment amounts

Account	Description	Debit	Credit
010451.8010	REVENUE ISSUES	50,000.00	
010451.8110	REVENUE ISSUES	599,881.00	
010451.8010	REVENUE ISSUES		599,881.00
010451.8110	REVENUE ISSUES		50,000.00
Total		**649,881.00**	**649,881.00**

Adjusting Journal Entries JE # 43
To record gas and oil consumption by other funds due to General Fund.

Account	Description	Debit	Credit
001000.0510.02	DUE FROM PARKS & RECREATION	6,158.00	
001000.0510.09	DUE FROM WATER & SEWER	7,206.00	
001000.0510.73	DUE FROM MASS TRANSIT	6,453.00	
001000.0510.77	DUE FROM SAENGER/COMM CENTERS	319.00	
001000.0510.82	D/F COMMUNITY DEV	83.00	
002300.5250	GAS AND OIL	5,920.00	
002300.5257	DIESEL FUEL	18.00	
002315.5250	GAS AND OIL	220.00	
009660.5250	GAS AND OIL	940.00	
009672.5250	GAS AND OIL	3,385.00	
009672.5257	DIESEL FUEL	279.00	
009673.5250	GAS AND OIL	235.00	
009676.5250	GAS AND OIL	272.00	
009676.5250	GAS AND OIL	839.00	
009676.5257	DIESEL FUEL	498.00	
009677.5250	GAS AND OIL	732.00	
009677.5257	DIESEL FUEL	26.00	
073570.5250	GAS AND OIL	460.00	
073570.5257	DIESEL FUEL	5,994.00	
077650.5250	GAS AND OIL	319.00	
082285.5250	GAS AND OIL	83.00	
001000.0601	GAS/LUBRICANT-CITY		20,220.00
002000.1040.01	DUE TO GENERAL FUND		6,158.00
009000.1040.01	DUE TO GENERAL FUND		7,206.00
073000.1040.01	D/T GENERAL FUND		6,453.00
077000.1040.01	D/T GENERAL FUND		319.00
082000.1040.01	D/T GENERAL FUND		83.00
Total		**40,439.00**	**40,439.00**

Adjusting Journal Entries JE # 44
To adjust inventory balance to actual at year end.

Account	Description	Debit	Credit
001160.5250	GAS AND OIL	49,963.00	
001160.5257	DIESEL FUEL	9,865.00	
001201.5250	GAS AND OIL	9,781.00	
001201.5257	DIESEL FUEL	12,966.00	
001220.5250	GAS AND OIL	4,784.00	
001220.5257	DIESEL FUEL	24,592.00	
001000.0601	GAS/LUBRICANT-CITY		111,951.00
Total		**111,951.00**	**111,951.00**

Adjusting Journal Entries JE # 50
To move collection fees for FY 15 from the Balance Sheet to Refund and Recovery

001000.1150	COLLECTION FEES	51,669.00	
001001.3965	REFUND & RECOVERY		51,669.00
Total		**51,669.00**	**51,669.00**

Adjusting Journal Entries JE # 51
To reclassifed Collections Fees AP as Police Fines Revenue for FY 16

001000.1150	COLLECTION FEES	89,513.00	
001001.3320	POLICE FINES		89,513.00
Total		**89,513.00**	**89,513.00**

Adjusting Journal Entries JE # 54
To include 2016 Johnson Controls Energy Lease in GLTAG - Per Lisa this account was added to the City's Chart of Accounts in October 2016

998000.0950	DEFERRED TO FUTURE	7,528,000.00	
998000.1731.EPC	Johnson Controls Energy Lease 2016		7,528,000.00
Total		**7,528,000.00**	**7,528,000.00**

Adjusting Journal Entries JE # 55
To record proceeds of the $25 Million Series 2016 Revenue Bonds in August 2016. The proceeds of this issue were recorded by client in November 2016 using the JE in the PF at 9256.04e. JE also records payment of bond issuance costs & int. posted in 2016

093000.0015.16WS	CASHINVEST W/REGIONS BANK	25,000,000.00	
093000.0015.16WS	CASHINVEST W/REGIONS BANK	95.00	
093602.6025	LEGAL FGEES	194,500.00	
093602.6049	CONSULTANTS FEES	111,000.00	
093602.6999	TRUSTEE FEES	8,500.00	
093000.0015.16WS	CASHINVEST W/REGIONS BANK		314,000.00
093602.3405	INTEREST REVENUE		95.00
093602.3912	BOND PROCEEDS		25,000,000.00
Total		**25,314,095.00**	**25,314,095.00**

Adjusting Journal Entries JE # 57
To expense the charges for workers compensation premiums.

001003.4910	WORKMAN'S COMPENSA	551.00	
001015.4910	WORKMAN'S COMPENSA	2,521.00	
001020.4910	WORKMAN'S COMPENSA	5,300.00	
001040.4910	WORKMAN'S COMPENSA	429.00	
001042.4910	WORKMAN'S COMPENSA	784.00	
001045.4910	WORKMAN'S COMPENSA	378.00	
001060.4910	WORKMAN'S COMPENSA	270.00	
001080.4910	WORKMAN'S COMPENSA	559.00	
001081.4910	WORKMAN'S COMPENSA	992.00	
001090.4910	WORKMAN'S COMPENSA	4,033.00	
001094.4910	WORKMAN'S COMPENSA	601.00	
001096.4910	WORKMAN'S COMPENSA	3,128.00	
001100.4910	WORKMAN'S COMPENSA	181,254.00	
001131.4910	WORKMAN'S COMPENSA	86.00	
001160.4910	WORKMAN'S COMPENSA	230,057.00	
001180.4910	WORKMAN'S COMPENSA	15,494.00	
001191.4910	WORKMAN'S COMPENSA	1,109.00	
001191.4910	WORKMAN'S COMPENSA	14,430.00	
001201.4910	WORKMAN'S COMPENSA	76,595.00	
001203.4910	WORKMAN'S COMPENSA	9,415.00	
001204.4910	WORKMAN'S COMPENSA	10,593.00	
001205.4910	WORKMAN'S COMPENSA	1,811.00	
001206.4910	WORKMAN'S COMPENSA	7,764.00	
001207.4910	WORKMAN'S COMPENSA	45,798.00	
001220.4910	WORKMAN'S COMPENSA	95,537.00	
001221.4910	WORKMAN'S COMPENSA	2,318.00	
001250.4910	WORKMAN'S COMPENSA	15,147.00	
001260.4910	WORKMAN'S COMPENSA	1,455.00	
001500.9000.02	T/T PARKS & RECREA	49,764.00	
001500.9000.09	T/T WATER & SEWER O&M	56,908.00	
001500.9000.73	T/T MASS TRANSIT O	17,990.00	
001500.9000.77	T/T COMMUNITY CENT	13,331.00	
001500.9000.82	Transfer to CBGD	3,550.00	
001551.4910	WORKMAN'S COMPENSA	3,185.00	
001553.4910	WORKMAN'S COMPENSA	20,717.00	
001560.4910	WORKMAN'S COMPENSA	4,293.00	
002300.4910	WORKMAN'S COMPENSA	33,604.00	
002315.4910	WORKMAN'S COMPENSA	16,160.00	

009660.4910	WORKMAN'S COMPENSA	4,639.00	
009672.4910	WORKMAN'S COMPENSA	18,203.00	
009673.4910	WORKMAN'S COMPENSA	9,548.00	
009676.4910	WORKMAN'S COMPENSA	17,907.00	
009677.4910	WORKMAN'S COMPENSA	6,611.00	
073570.4910	WORKMAN'S COMPENSA	17,990.00	
077650.4910	WORKMAN'S COMPENSA	13,331.00	
082285.4910	WORKMAN'S COMPENSA	3,550.00	
001000.0637	Other Accrued payroll liabilities		898,147.00
002002.3800.01	T/F GENERAL FUND		49,764.00
009500.3800.01	T/F GENERAL FUND		56,908.00
073073.3800.01	T/F GENERAL FUND		17,990.00
077077.3800.01	T/F GENERAL FUND		13,331.00
082082.3800.01	T/F GENERAL FUND		3,550.00
Total		**1,039,690.00**	**1,039,690.00**

Adjusting Journal Entries JE # 63
To remove cash no longer in City's custody for P&F D&R PERS Plan.

018000.1990	FUND BAL-BEGINNING	20,927,642.00	
018000.0015.PERS	CASH/INVESTMNTS W		20,927,642.00
Total		**20,927,642.00**	**20,927,642.00**

Adjusting Journal Entries JE # 75
To record W&S portion of PY AJE 20 for capital asset items

011000.0800.99	GENERAL CONSTN.IN	256,697.00	
011000.0800.99	GENERAL CONSTN.IN	967,015.00	
011000.1925	INVESTED IN W&S FUN	4.00	
011000.1990	FUND BAL-BEGINNING	99,750.00	
011000.0755	WATER DISTRIBUTION		99,750.00
011000.0800.99	GENERAL CONSTN.IN		4.00
011000.1925	INVESTED IN W&S FUN		967,015.00
011000.1990	FUND BAL-BEGINNING		256,697.00
Total		**1,323,466.00**	**1,323,466.00**

Adjusting Journal Entries JE # 76
To record PY AJE #21 for capital assets for W&S

011000.0755	WATER DISTRIBUTION	317,221.00	
011000.1925	INVESTED IN W&S FUN	69,349.00	
011000.1925	INVESTED IN W&S FUN		294,801.00
011000.1990	FUND BAL-BEGINNING		22,420.00
011000.1990	FUND BAL-BEGINNING		69,349.00
Total		**386,570.00**	**386,570.00**

Adjusting Journal Entries JE # 77
To record PY AJE #29 for W&S Capital Assets

011000.0730.99	OTHER EQUIPMENT	16,507.00	
011000.0740.98	WATER & SEWER VEHI	130,308.00	
011000.0755	WATER DISTRIBUTION	2,244,047.00	
011000.0760	SANITARY SEWER SYST	6,498,828.00	
011000.0790	ACCUMULATED DEPRECI	405,153.00	
011000.0800.99	GENERAL CONSTN.IN	6,236,569.00	
011000.1990	FUND BAL-BEGINNING	4,748,119.00	
011000.0720.95	OTHER IMPROVEMENTS		224.00
011000.0730.25	OFFICE FURN/EQUIP.		449.00
011000.0730.55	COMMUNICATION EQUI		916.00
011000.0730.99	OTHER EQUIPMENT		13,638.00
011000.0740.98	WATER & SEWER VEHI		6,780.00
011000.0755	WATER DISTRIBUTION		582,110.00
011000.0760	SANITARY SEWER SYST		9,965,524.00
011000.0800.99	GENERAL CONSTN.IN		8,742,875.00
011000.0800.99	GENERAL CONSTN.IN		967,015.00
Total		**20,279,531.00**	**20,279,531.00**

Adjusting Journal Entries JE # 80
To reverse PY AJE 19 and77 for change in cash not recorded by City.

018000.0015.PERS	CASH/INVESTMNTS W	530,104.00	
018000.1990	FUND BAL-BEGINNING		530,104.00
Total		**530,104.00**	**530,104.00**

Adjusting Journal Entries JE # 82
To record disbursement for lease/purchase PBC.

089603.7295.56	LIGHTING UPGRADE-	107,469.00	
089603.7295.57	LIGHTING UPGRADE-	26,460.00	

089603.7295.58	ENERGY MGTMT CTRL	31,560.00	
089603.7295.59	ENERGY MGTMT CTRL	1,000.00	
089603.7295.60	BOILER REPLACEMEN	2,000.00	
089603.7295.61	SMALL UNITARY EQU	38,000.00	
089603.7295.62	CITY HALL HVAC UP	1,000.00	
089603.7295.63	JACKIE DOLE HVAC	31,556.00	
089603.7295.64	WATER TRTMT PLT C	40,000.00	
089603.7295.65	LIFT STATION CTRL	50,000.00	
089603.7295.66	WATER CONSERVATIO	137,968.00	
089603.7295.67	SOLAR PHOTO-VOLTA	10,000.00	
089000.0015.16EP	CASH/INVEST W/BANK		477,013.00
Total		**477,013.00**	**477,013.00**

Adjusting Journal Entries JE # 88
To record PPA to adjust beginning fund balance for the W&S fund for the compensated absences balance that should have been presented at 9/30/2015.

009000.1120.01	ACCRUED VACATION PAYABLE	108,431.00	
009000.199x	Prior Period Adjustment to Equity		108,431.00
Total		**108,431.00**	**108,431.00**

Adjusting Journal Entries JE # 89
To adjust year-end compensated absences balance to actual for W&S Fund.

009000.1120.01	ACCRUED VACATION PAYABLE	21,224.00	
009660.40XX	Compensated Absences		21,224.00
Total		**21,224.00**	**21,224.00**

Adjusting Journal Entries JE # 90
To adjust beg. interest payable balance of $408,116 based upon recalculations made for outstanding water and sewer debt at 9/30/2015

010000.199x	Prior Period Adjustment to Equity	297,231.00	
010000.10xx	ACCRUED INTEREST PAYABLE		297,231.00
Total		**297,231.00**	**297,231.00**

Adjusting Journal Entries JE # 93
To adjust year-end compensated absences balance to actual for governmental fund.

998000.1120.01	ACCRUED VACATION P	1,528,596.00	
998000.0950	DEFERRED TO FUTURE		1,436,029.00
998000.1120.02	ACCRUED COMP PAY		10,821.00
998000.1120.03	ACCRUED HOLIDAY PA		81,746.00
Total		**1,528,596.00**	**1,528,596.00**

Adjusting Journal Entries JE # 99
To record PY AJE#20 that was not recorded by the client.

899000.0715.01	POLICE & FIRE BUIL	74,694.00	
899000.0720.10	ZOO IMP OTB > SEPT	264,321.00	
899000.0720.30	STREETS	2,177,722.00	
899000.0800.99	GENERAL CONSTN.IN	256,697.00	
899000.0800.99	GENERAL CONSTN.IN	967,015.00	
899000.1925	INVESTED IN GENRL F	256,084.00	
899000.1925	INVESTED IN GENRL F	99,750.00	
899000.0710.01	POLICE & FIRE BUIL		74,694.00
899000.0720.42	PARK IMPROVEMENTS		256,084.00
899000.0720.45	WATER SYSTEMS		99,750.00
899000.1925	INVESTED IN GENRL F		2,177,722.00
899000.1925	INVESTED IN GENRL F		264,321.00
899000.1925	INVESTED IN GENRL F		967,015.00
899000.1925	INVESTED IN GENRL F		256,697.00
Total		**4,096,283.00**	**4,096,283.00**

Adjusting Journal Entries JE # 100
To record PY AJE #67 to record addtions to fund 899 not recorded by the client.

899000.0715.13	RECREATIONAL BLDGS	80,036.00	
899000.0720.10	ZOO IMP OTB > SEPT	118,674.00	
899000.0720.15	DRAINS	935,735.00	
899000.0720.20	SEWERS	6,498,828.00	
899000.0720.30	STREETS	3,451,158.00	
899000.0720.40	TRAFFIC SIGNALS	28,180.00	
899000.0720.42	PARK IMPROVEMENTS	396,616.00	
899000.0720.45	WATER SYSTEMS	2,244,047.00	
899000.0720.95	OTHER IMPROVEMENTS	769,373.00	
899000.0730.20	HOUSEHOLD FURN/EQU	15,836.00	
899000.0730.25	OFFICE FURN/EQUIP.	34,590.00	
899000.0730.27	DATA PROCESSING EQ	129,771.00	

899000.0730.35	AGRICULTURAL EQUIP	104,783.00	
899000.0730.42	TRACTORS	152,420.00	
899000.0730.45	CONSTRUCTION EQUIP	46,096.00	
899000.0730.55	COMMUNICATION EQUI	88,048.00	
899000.0730.99	OTHER EQUIPMENT	140,067.00	
899000.0740.00	AUTOMOBILES	199,261.00	
899000.0740.20	PICK UP TRUCKS	243,230.00	
899000.0740.30	HEAVY TRUCKS	43,200.00	
899000.0740.60	SANITATION TRUCKS	2,371,873.00	
899000.1925	INVESTED IN GENRL F	4,812,921.00	
899000.0800.99	GENERAL CONSTN.IN		4,812,921.00
899000.1925	INVESTED IN GENRL F		3,569,175.00
899000.1925	INVESTED IN GENRL F		14,522,647.00
Total		**22,904,743.00**	**22,904,743.00**

Adjusting Journal Entries JE # 101
To record PY AJE#68 to record disposals to fund 899 not recorded by the client.

899000.0730.20	HOUSEHOLD FURN/EQU	1,880.00	
899000.0730.25	OFFICE FURN/EQUIP.	9,483.00	
899000.1925	INVESTED IN GENRL F	2,646,940.00	
899000.1925	INVESTED IN GENRL F	1,249.00	
899000.1925	INVESTED IN GENRL F	11,002,708.00	
899000.0715.17	WATER & SEWER BLDG		225.00
899000.0720.20	SEWERS		162,168.00
899000.0720.20	SEWERS		9,965,525.00
899000.0720.30	STREETS		187,793.00
899000.0720.45	WATER SYSTEMS		83,104.00
899000.0720.45	WATER SYSTEMS		582,110.00
899000.0720.95	OTHER IMPROVEMENTS		1,249.00
899000.0730.20	HOUSEHOLD FURN/EQU		1,880.00
899000.0730.20	HOUSEHOLD FURN/EQU		449.00
899000.0730.25	OFFICE FURN/EQUIP.		9,743.00
899000.0730.27	DATA PROCESSING EQ		30.00
899000.0730.27	DATA PROCESSING EQ		3,568.00
899000.0730.35	AGRICULTURAL EQUIP		78,686.00
899000.0730.55	COMMUNICATION EQUI		11,320.00
899000.0730.55	COMMUNICATION EQUI		916.00
899000.0730.99	OTHER EQUIPMENT		3,868.00
899000.0730.99	OTHER EQUIPMENT		10,070.00
899000.0740.00	AUTOMOBILES		288,528.00
899000.0740.20	PICK UP TRUCKS		10,481.00
899000.0740.20	PICK UP TRUCKS		6,780.00
899000.0740.35	FIRE TRUCKS		389,549.00
899000.0740.60	SANITATION TRUCKS		1,852,857.00
899000.1925	INVESTED IN GENRL F		11,361.00
Total		**13,662,260.00**	**13,662,260.00**

Adjusting Journal Entries JE # 102
To record PY AJE #93 to recognize the effect of USA Yeast title to assets funded by Company funds rather than City/grant funds not recorded by the client.

899000.1925	INVESTED IN GENRL F	2,222,709.00	
899000.0800.99	GENERAL CONSTN.IN		2,222,709.00
Total		**2,222,709.00**	**2,222,709.00**

Adjusting Journal Entries JE # 111
To record Bond Premium from the Series 2015 Refunding W&S GO Bonds

010010.3913	BOND PREMIUM	231,244.00	
010000.1706.01	UNAMORTIZED BOND PREMIUM -WS12		231,244.00
Total		**231,244.00**	**231,244.00**

Adjusting Journal Entries JE # 113
To record PBC recaps of Cash Transactions for Fund 88 for FY 2016 aattributable to the Series 2015 COP Proceeds and expenditures. These transactions were later recorded by Client in FY 2017

088000.0015.15PSC	Cash with Fiscal Agent	5,563,283.00	
088602.6025	Legal	93,500.00	
088602.6049	Other Professional Services	118,500.00	
088602.6049	Other Professional Services	173,987.00	
088603.7100.12	Public Safety Bld	2,249,928.00	
088603.7100.14	Rec Admin	397,162.00	
088000.0015.15PSC	Cash with Fiscal Agent		2,736,665.00
088000.12xx	Audit Accounts Payable		296,411.00
088088.3405	Savings Account/MMA		142.00
088088.3912	Bond Proceeds		5,563,142.00
Total		**8,596,360.00**	**8,596,360.00**

Adjusting Journal Entries JE # 119
To allocate Accrued Insurance liability in excess of cash on hand in Fund 109 at 9/30/2016

001095.48XX	Allocated Insurance Claims	13,290.00	
001100.48XX	Allocated Insurance Claims	33,245.00	
001131.48XX	Allocated Insurance Claims	112.00	
001160.48XX	Allocated Insurance Claims	23,538.00	
001180.48XX	Allocated Insurance Claims	1,916.00	
001200.48XX	Allocated Insurance Claims	20,076.00	
001260.48XX	Allocated Insurance Claims	495.00	
001551.48XX	Allocated Insurance Claims	249.00	
001553.48XX	Allocated Insurance Claims	2,380.00	
001560.48XX	Allocated Insurance Claims	697.00	
002300.48XX	Allocated Insurance Claims	4,098.00	
002315.48XX	Allocated Insurance Claims	1,460.00	
009660.48XX	Allocated Insurance Claims	1,448.00	
009672.48XX	Allocated Insurance Claims	2,534.00	
009673.48XX	Allocated Insurance Claims	2,007.00	
009676.48XX	Allocated Insurance Claims	2,423.00	
009677.48XX	Allocated Insurance Claims	971.00	
073570.48XX	Allocated Insurance Claims	2,432.00	
077650.48XX	Allocated Insurance Claims	1,739.00	
082285.48XX	Allocated Insurance Claims	528.00	
109000.0510.01	D/F GENERAL FUND	95,998.00	
109000.0510.02	D/F Parks & Rec. Fund	5,558.00	
109000.0510.09	D/F Water & Sewer O&M Fund	9,383.00	
109000.0510.73	D/F Mass Transit Fund	2,432.00	
109000.0510.77	D/F Community Centers Fund	1,739.00	
109000.0510.82	D/F CDBG Fund	528.00	
001000.1040.109	D/T GROUP INS TRU		95,998.00
002000.1040.109	D/T Fund 109		5,558.00
009000.1040.109	D/T Fund 109		9,383.00
073000.1040.109	D/T Fund 109		2,432.00
077000.1040.109	D/T Fund 109		1,739.00
082000.1040.109	D/T Fund 109		528.00
109109.3966	HOSP.INS.-P/R DISTR		115,638.00
Total		**231,276.00**	**231,276.00**

Adjusting Journal Entries JE # 120
To adjust Rev. and Exp balances in order for net $-0- and balance sheet assets into agreement with liability account at year-end

109000.11XX	Accured Claims and Admin Expenditures	14,198.00	
109109.3405	SAVINGS ACCOUNT/MM	441.00	
109109.3966	HOSP.INS.-P/R DISTR	4,586,462.00	
109109.3966.01	HOSP.INS.-COBRA	17,464.00	
109109.39XX	Other Sources - Insurance Fundings - Audit	3,649,119.00	
109704.68XX	Audit accrual Accrued Claims and Expenditures	4,586,462.00	
109109.39XX	Other Sources - Insurance Fundings - Audit		3,649,119.00
109704.6833	ADMIN PAID		931,965.00
109704.6834	CLAIMS PAID		3,649,119.00
109704.68XX	Audit accrual Accrued Claims and Expenditures		4,586,462.00
109704.6999.01	ACA TRANSITIONAL		37,481.00
105000.0015.06WSINT	PROJECT FD INTERE		
Total		**12,854,146.00**	**12,854,146.00**

Adjusting Journal Entries JE # 131
To adjust Police fines for 05/31/16

001000.1260	P&F-CASH OPEN ITEM	243,446.00	
019000.0510.01	DUE FROM GENERAL FUND	554.00	
019000.0510.01	DUE FROM GENERAL FUND	1,437.00	
001000.1040.19	D/T POLICE FORFEI		554.00
001000.1040.19DARE	D/T POL.FORF-DARE		1,437.00
001000.1051.11	TRAFFIC VIOLATION		55,744.00
001000.1051.12	OTHER MISDEMEANOR		6,032.00
001000.1051.13	IMPLIED CONSENT		4,814.00
001000.1051.14	APPEARANCE BOND F		1,202.00
001000.1051.15	COURT CONSTITUENT		340.00
001000.1051.17	MV LIABILITY INSU		682.00
001000.1051.18	ADULT DRIVER'S TR		130.00
001000.1051.19	TRAUMA TRAFFIC		3,033.00
001000.1051.22	DRUG VIOLATION		320.00
001000.1052.01	IFDF INTERLOCK DE		336.00
001000.1052.02	IF DUI NON-ADJUDI		2,176.00

001000.1055.03	DIST.ATT'Y/BAD CH		160.00
001000.1056	D/T METRO CRIMESTO		1,387.00
001000.1150	COLLECTION FEES		10,534.00
001000.1266	D/T MERCHANTS-BAD		128.00
001000.1267	COURT TECHNOLOGY F		19,292.00
001001.2870	POLICE/FIRE-SPECIA		5,656.00
001001.2915	PARKING FINES		5.00
001001.3320	POLICE FINES		112,200.00
001001.3321	CITY COURT COSTS		11,540.00
001001.3322	CCC-JAIL REIMB.		10.00
001001.3327	ANIMAL CONTROL		91.00
001001.3590	POLICE DEPT-MISC CH		5,643.00
019019.3321	DARE CITY COURT COSTS		554.00
019019.3321	DARE CITY COURT COSTS		1,437.00
Total		**245,437.00**	**245,437.00**

Adjusting Journal Entries JE # 132
To adjust Police Fines for 12/16/2015

001000.1260	P&F-CASH OPEN ITEM	162,120.00	
019000.0510.01	DUE FROM GENERAL FUND	977.00	
019000.0510.01	DUE FROM GENERAL FUND	40.00	
001000.1040.19	D/T POLICE FORFEI		40.00
001000.1040.19DARE	D/T POL.FORF-DARE		977.00
001000.1051.10	STATE LITTER PREV		1.00
001000.1051.11	TRAFFIC VIOLATION		36,678.00
001000.1051.12	OTHER MISDEMEANOR		4,410.00
001000.1051.13	IMPLIED CONSENT		2,118.00
001000.1051.14	APPEARANCE BOND F		1,054.00
001000.1051.15	COURT CONSTITUENT		238.00
001000.1051.17	MV LIABILITY INSU		286.00
001000.1051.18	ADULT DRIVER'S TR		160.00
001000.1051.19	TRAUMA TRAFFIC		2,003.00
001000.1051.20	VICTIMS BOND FEE		10.00
001000.1051.22	DRUG VIOLATION		376.00
001000.1052.01	IFDF INTERLOCK DE		124.00
001000.1052.02	IF DUI NON-ADJUDI		1,067.00
001000.1055.03	DIST.ATT'Y/BAD CH		40.00
001000.1056	D/T METRO CRIMESTO		909.00
001000.1150	COLLECTION FEES		3,488.00
001000.1266	D/T MERCHANTS-BAD		424.00
001000.1267	COURT TECHNOLOGY F		11,972.00
001001.2870	POLICE/FIRE-SPECIA		7,184.00
001001.2915	PARKING FINES		100.00
001001.3320	POLICE FINES		76,461.00
001001.3321	CITY COURT COSTS		7,957.00
001001.3322	CCC-JAIL REIMB.		13.00
001001.3323	ENVIR CT-CODE VIOLA		100.00
001001.3327	ANIMAL CONTROL		39.00
001001.3590	POLICE DEPT-MISC CH		3,891.00
019019.3321	DARE CITY COURT COSTS		977.00
019019.3321	DARE CITY COURT COSTS		40.00
Total		**163,137.00**	**163,137.00**

Adjusting Journal Entries JE # 133
To record equity adjustment for PY AJR 93 noted as a PPA for the W&S CIP balance attributable to USA Yeast Project. This was adjusted to AK balance for this project.

011000.1925	INVESTED IN W&S FUN	2,222,709.00	
011000.0800.99	GENERAL CONSTN.IN		2,222,709.00
Total		**2,222,709.00**	**2,222,709.00**

Adjusting Journal Entries JE # 134
To record FY 2016 W&S Fixed Asset Additions and Disposals per AK Report dtd 5/8/2018 to set balances prior to W&S PPA in AJE 135, and CIP additions and completed projects. See Recap at 4600.04 for $10,407,894 CIP 2016 additions.

009500.9000.11	TRANSFER OUT- WATER & SEWE	6,104.00	
011000.0730.99	OTHER EQUIPMENT	85,727.00	
011000.0740.98	WATER & SEWER VEHI	120,256.00	
011000.0755	WATER DISTRIBUTION	2,277,402.00	
011000.0760	SANITARY SEWER SYST	2,085,307.00	
011000.0800.99	GENERAL CONSTN.IN	5,805,124.00	
011000.1925	INVESTED IN W&S FUN	190,652.00	
075075.9000.XX	OPERATING TRANSFERS OUT	1,565,843.00	
105500.9000.11	Transfer To Fund 11	4,233,178.00	
009673.7150.11	W&S WAREHOUSE IMP		6,104.00

011000.0740.98	WATER & SEWER VEHI		190,651.00
011000.0800.99	GENERAL CONSTN.IN		4,362,709.00
011011.3800.XX	TRANSFER IN- W&S O&M		6,011,108.00
075695.7220.99	PROGRAMMED SEWER		875,033.00
075695.7245.54	2015 WATER IMPROVEMENT		468,286.00
075695.7245.99	PROGRAMMED WATER		222,524.00
105695.7220.17	18 INCH TRUNK LIN		67,213.00
105695.7220.55	SEWER PHASE VII		2,199,010.00
105695.7245.08	VETERANS MEM BLVD		1,905.00
105695.7245.10	WTP FILTER #6		236,001.00
105695.7245.11	OLD 98/RUNNELS RD		11,188.00
105695.7245.27	W3-WATER WELL@ PL		363,850.00
105695.7245.51	WATER PHASE II		4,125.00
105695.7245.52	WATER PHASE III		1,297,660.00
105695.7245.53	WATER PHASE IV		52,226.00
Total		**16,369,593.00**	**16,369,593.00**

Adjusting Journal Entries JE # 135
To record PPA in order to reconcile W&S
Fixed Asset Balances to AK report dtd 5/8/2018 and to adjust CIP balance to W&S CIP Report at 9/30/2016

011000.0730.25	OFFICE FURN/EQUIP.	449.00	
011000.0730.55	COMMUNICATION EQUI	916.00	
011000.0730.99	OTHER EQUIPMENT	90,295.00	
011000.0740.98	WATER & SEWER VEHI	6,780.00	
011000.0760	SANITARY SEWER SYST	9,457,391.00	
011000.0790	ACCUMULATED DEPRECI	108,488.00	
011000.0790	ACCUMULATED DEPRECI	190,651.00	
011000.0800.99	GENERAL CONSTN.IN	397,401.00	
011000.199x	Beg Fund Equity PPA	13,726.00	
011000.199x	Beg Fund Equity PPA	53,415.00	
011000.0720.95	OTHER IMPROVEMENTS		13,726.00
011000.0730.99	OTHER EQUIPMENT		145,075.00
011000.0730.99	OTHER EQUIPMENT		6,780.00
011000.0755	WATER DISTRIBUTION		1,071,264.00
011000.199x	Beg Fund Equity PPA		8,386,127.00
011000.199x	Beg Fund Equity PPA		108,488.00
011000.199x	Beg Fund Equity PPA		190,651.00
011000.199x	Beg Fund Equity PPA		397,401.00
Total		**10,319,512.00**	**10,319,512.00**

Adjusting Journal Entries JE # 138
To transfer 2016 W&S asset additions noted on pages 3 & 5 of the 216 W&S AK Report at 4601.02 and summarized with original G/L account numbers at 4601.03. Transfer to Fund 11 faciilitates the capital asset F/S presntation and eliminates original debits.

009500.9000.11	TRANSFER OUT- WATER & SEWE	205,983.00	
009660.7420	PICK UP TRUCKS		19,440.00
009672.7345	CONSTRUCTION EQUIP		41,907.00
009672.7450	SPECIAL TRUCKS		33,468.00
009673.6383	GENERATOR R&M		43,820.00
009673.7399	OTHER EQUIPMENT		22,700.00
009676.7420	PICK UP TRUCKS		19,902.00
009677.7450	SPECIAL TRUCKS		24,746.00
Total		**205,983.00**	**205,983.00**

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

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COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

To the Mayor, Members of the City Council and
Management of the City of Hattiesburg
City of Hattiesburg, Mississippi
Post Office Box 1898
Hattiesburg, Mississippi 39403-1898

To the Mayor, Members of the City Council and Management of the City of Hattiesburg:

In planning and performing our audit of the basic financial statements of the City of Hattiesburg as of and for the year ended September 30, 2016, 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*, issued by the Comptroller General of the United States, we considered City of Hattiesburg, Mississippi's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hattiesburg, Mississippi's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We consider the following deficiencies in City of Hattiesburg, Mississippi's internal control to be material weaknesses:

- The City did not implement entity-level control policies and risk assessment procedures during fiscal year 2016 necessary in order to evaluate and address risks related to financial reporting. In particular, the City's organizational structure and lack of personnel with suitable skills, knowledge

To the Mayor, Members of the City Council and
Management of the City of Hattiesburg
City of Hattiesburg, Mississippi

and experience in financial reporting are important considerations in assessing the City's entity-level control environment and risk assessment processes.

- The City did not implement entity-level internal control procedures during fiscal year 2016 pertaining to the timely identification and communication of information required in the financial reporting process thus limiting the City's ability to meet required deadlines for the submission of annual financial statements required pursuant to legal, regulatory and contractual agreements.
- The City did not implement procedures during fiscal year 2016 necessary for the timely production of financial statements prepared in accordance with generally accepted accounting principles. These delays could expose the City to risks of delay or curtailment of funding resources.
- The City's internal accounting controls during fiscal year 2016 did not readily allow for the conversion of budgetary accounting records to modified accrual and/or accrual bases of accounting required for financial reporting purposes on a timely basis.
- During fiscal year 2016, the City failed to implement internal accounting controls necessary to ensure that Municipal Court fines receivable and assessments payable balances were complete, accurate and properly valued in accordance with U.S. generally accepted accounting principles and in compliance with Mississippi laws.
- The City did not implement internal controls during fiscal year 2016 that were sufficient to ensure that Water and Sewer customer account balances are complete, accurate, properly valued, and reported in the proper period. There was a lack of timely review and reconciliation of subsidiary account balances that could allow for significant errors to go undetected.
- During fiscal year 2016 the City failed to implement internal controls to ensure that Water and Sewer billings are complete and accurate, including procedures that address unaccounted for water volume and adjustments to customer billings. There is a risk that the City would not detect Water and Sewer usage at unmetered locations or significant leaks in the Water and Sewer System.
- The City's internal accounting controls do not allow for the timely review or reconciliation of Water and Sewer customer meter deposit balances, resulting in the City not being able to determine the cumulative amount of unrecorded applied meter deposits or the nature and amounts of other potential errors.
- The City's internal accounting controls over capital assets do not ensure that all assets are properly recorded, depreciated, assessed for impairment, and reported. Subsidiary records do not routinely monitor assets acquired with federal grants and do not include a comprehensive schedule of construction projects sufficient for financial reporting.
- The City does not have adequate internal controls to monitor compliance with Federal suspension and debarment regulations for contracts and subawards. This could result in the City contracting with parties who have been suspended or debarred by the Federal government.
- The City's general ledger system lacks the complexity necessary to capture all accounting data related to Federal program expenditures, and peripheral systems can not sufficiently determine that all federal program cost categories are readily identified and reported. These accounting records are necessary in order to properly segregate Federal and non-Federal expenditures and to identify matching funds provided.
- The City did not comply with Federal Single Audit requirements for the timely submission of the City's fiscal year 2016 reporting package and the data collection form pursuant to the Uniform Guidance within the specified deadlines.
- The City did not adequately account for capital projects funded by Federal awards. In particular, the City did not monitor its capital projects reimbursement requests prepared by third party service providers or recalculate and reconcile Federal costs to those reimbursement requests. Additionally, the City did not monitor compliance with property ownership and reversionary provisions in order to assess its rights and obligations under such agreements. The City may be subject to material

To the Mayor, Members of the City Council and
Management of the City of Hattiesburg
City of Hattiesburg, Mississippi

disallowed costs or obligations under revisionary provisions for assets purchased or constructed using Federal funds.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the entity's internal control to be a significant deficiency:

- The City's accounting system did not contemporaneously distinguish allowable Federal program costs from ineligible costs, distinguish between Federal and non-Federal expenditures or specifically identify costs used to meet match and cost-sharing requirements pursuant to the Uniform Guidance. Additionally, the City has no effective process to ensure that direct and indirect costs are properly administered by various City departments.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS

Year Ended September 30, 2016

CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS YEAR ENDED SEPTEMBER 30, 2016

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CITY OF HATTIESBURG, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
YEAR ENDED SEPTEMBER 30, 2016

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FINANCIAL SECTION

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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TMH
TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Hattiesburg, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audit. We 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining governmental fund information of the City of Hattiesburg, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Deficit Fund Balance

As described in Note 16 to the financial statements, deficit fund balances were reported in certain governmental funds as a result of modified accrual recognition of expenditures for which reimbursements were not available resources. Our opinion is not modified with respect to this matter.

Compliance with Mississippi Department of Environmental Quality Order

As described in Notes 17 and 21, the City is subject to certain mandates for sewer system operation and rehabilitation pursuant to action and intervention by the Mississippi Department of Environmental Quality. In ongoing efforts to comply with the related Amended Agreed Order, the City has engaged in development, design, and construction of various elements of a multi-million dollar long-term comprehensive sewer system improvement project, most of which have been funded by proceeds of revenue bonds. Subsequent to the year ended September 30, 2016, the City was party to a Stipulated Order which replaces the Amended Agreed Order and grants relief from certain obligations that had been imposed under the earlier Order. As a result, the City indefinitely suspended certain sewer system rehabilitation projects subsequent to year end. Our opinion is not modified with respect to this matter.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

Matters Related to Funding

Subsequent to September 30, 2016, certain federal and state grant reimbursements were delayed because of delinquency in submission of City annual financial reports. In addition, the City's credit rating was suspended in November 2016. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis (MD&A), budgetary comparison schedules for the general fund, trend factors and schedules of funding progress of the City's defined benefit pension plans, and trend factors and schedules of funding progress and employer contributions for the City's other postemployment benefit plans (OPEB) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hattiesburg, Mississippi's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the City of Hattiesburg, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hattiesburg, Mississippi's internal control over financial reporting and compliance.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

FINANCIAL STATEMENTS

EXHIBIT A
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
September 30, 2016

	PRIMARY		GOVERNMENT	
	Governmental Activities	**Business-type Activities**	**Total**	**Component Unit**
ASSETS				
Cash and cash equivalents	$ 18,055,735	$ 10,753,877	$ 28,809,612	$ -
Cash with fiscal agent	4,788,343	28,892,099	33,680,442	4,945,960
Sales tax receivable	3,568,685	-	3,568,685	778,969
Property taxes receivable	18,646,538	-	18,646,538	-
Accounts receivable - Water and Sewer, net	-	2,036,156	2,036,156	-
Accounts receivable - Solid Waste Services	308,321	-	308,321	-
Intergovernmental receivable	1,779,378	-	1,779,378	-
Fines receivable, net	2,914,081	-	2,914,081	-
Other receivables	1,060,968	-	1,060,968	57,234
Internal balances	238,552	(238,552)	-	-
Due from other agencies	7,969	-	7,969	-
Inventory - food and beverage	-	-	-	118,437
Inventory - gas and oil	22,001	-	22,001	-
Cash and cash equivalents - restricted	-	-	-	1,076,780
Notes receivable	3,705,539	-	3,705,539	-
Capital assets not being depreciated:				
Land and construction in progress	41,061,298	5,577,502	46,638,800	3,984,102
Capital assets, net of accumulated depreciation:				
Infrastructure	65,652,801	95,471,762	161,124,563	-
Buildings and improvements	23,400,416	22,783	23,423,199	10,837,117
Machinery and equipment	6,659,983	718,365	7,378,348	149,256
Total assets	191,870,608	143,233,992	335,104,600	21,947,855
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	12,414,898	868,800	13,283,698	-
Prepaid bond insurance	247,540	230,160	477,700	-
Total deferred outflows of resources	12,662,438	1,098,960	13,761,398	-

The notes to the financial statements are an integral part of this statement.

EXHIBIT A
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
September 30, 2016

	PRIMARY		GOVERNMENT	
	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES				
Accounts payable	$ 1,580,747	$ 629,223	$ 2,209,970	$ 249,997
Accrued wages and benefits	505,132	42,227	547,359	227,610
Other liabilities	1,403,301	297,546	1,700,847	137,547
Due to other agencies	227,052	-	227,052	-
Accrued expenses	338,721	-	338,721	-
Accrued interest	409,603	722,002	1,131,605	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	1,645,000	2,069,000	3,714,000	-
Revenue bonds	-	2,735,000	2,735,000	-
Unamortized bond premium	43,507	45,384	88,891	-
Limited obligation tax increment financing bonds	980,000	-	980,000	-
Economic development limited obligation bonds and notes	407,419	-	407,419	-
General obligation notes payable	-	173,771	173,771	-
Capital leases	746,667	-	746,667	-
Unamortized lease premium	13,158	-	13,158	-
Compensated absences	70,671	4,295	74,966	-
Portion due or payable after one year:				
General obligation bonds	7,165,000	12,411,000	19,576,000	-
Revenue bonds	-	60,775,000	60,775,000	-
Unamortized bond premium	174,026	-	174,026	-
Limited obligation tax increment financing bonds	11,061,000	-	11,061,000	-
Economic development limited obligation bonds and notes	1,820,035	-	1,820,035	-
General obligation notes payable	-	120,684	120,684	-
Capital leases	14,353,587	-	14,353,587	-
Unamortized lease premium	249,984	392,417	642,401	-
Compensated absences	400,465	24,340	424,805	-
Net pension liablility	74,646,373	4,818,616	79,464,989	-
Other post employment benefits obligation	1,057,296	105,583	1,162,879	-
Customer meter deposits	-	1,327,351	1,327,351	-
Total liabilities	119,298,744	86,693,439	205,992,183	615,154
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	111,116	9,374	120,490	-
Deferred revenues	-	432,231	432,231	-
Unearned revenue - property taxes	18,253,791	-	18,253,791	-
Total deferred inflows of resources	18,364,907	441,605	18,806,512	-
NET POSITION				
Net investment in capital assets	100,533,244	23,460,573	123,993,817	14,970,475
Restricted for:				
Debt service	4,100,910	-	4,100,910	-
Capital projects	-	-	-	1,051,977
Unrestricted	(37,764,759)	33,737,335	(4,027,424)	5,310,249
Total net position	$ 66,869,395	$ 57,197,908	$ 124,067,303	$ 21,332,701

The notes to the financial statements are an integral part of this statement.

EXHIBIT B

CITY OF HATTIESBURG, MISSISSIPPI

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government	$ 8,601,383	$ -	$ -	$ -	$ (8,601,383)		$ (8,601,383)	
Public safety	24,355,235	2,375,946	999,811	40,000	(20,939,478)		(20,939,478)	
Public services	20,621,611	2,343,758	2,377,518	-	(15,900,335)		(15,900,335)	
Other services	980,641	-	-	290,737	(689,904)		(689,904)	
Mass transit	1,861,405	44,158	783,249	39,088	(994,910)		(994,910)	
Culture and recreation	4,298,347	79,791	-	67,358	(4,151,198)		(4,151,198)	
Human/social assistance	746,355	-	726,368	-	(19,987)		(19,987)	
Economic development	5,319,409	-	-	-	(5,319,409)		(5,319,409)	
Interest and fiscal charges	976,120	-	-	-	(976,120)		(976,120)	
Total governmental activities	67,760,506	4,843,653	4,886,946	437,183	(57,592,724)		(57,592,724)	
Business-Type Activities:								
Water and sewer system	18,507,187	20,627,608	38,718	-	-	$ 2,159,139	2,159,139	
Interest and fiscal charges	2,197,054	-	-	-	-	(2,197,054)	(2,197,054)	
Total business-type activities	20,704,241	20,627,608	38,718	-	-	(37,915)	(37,915)	
Total primary government	$ 88,464,747	$ 25,471,261	$ 4,925,664	$ 437,183	(57,592,724)	(37,915)	(57,630,639)	
COMPONENT UNIT:								
Hattiesburg Convention Commission	$ 6,610,924	$ 2,256,514	$ 250,000	$ -				$ (4,104,410)
Total component unit	$ 6,610,924	$ 2,256,514	$ 250,000	$ -				(4,104,410)
GENERAL REVENUES:								
Taxes:								
Property taxes, levied for general purposes					16,401,640	-	16,401,640	-
Property taxes, levied for debt service					3,375,589	-	3,375,589	-
Sales taxes					21,824,103	-	21,824,103	-
Franchise taxes and other licenses and permits					4,221,931	-	4,221,931	-
Special sales tax					-	-	-	4,849,927
Grants and contributions not restricted to specific programs					34,000	-	34,000	-
Unrestricted investment earnings					171,400	44,846	216,246	9,547
Other local sources					2,371,106	-	2,371,106	122,580
Miscellaneous					3,465,856	80,270	3,546,126	168,178
Gain (loss) on sale of assets					24,104	11,822	35,926	-
TRANSFERS:								
Transfers, component unit					885,597	-	885,597	(885,597)
Transfers, net					(56,908)	56,908	-	-
Total general revenues and transfers					52,718,418	193,846	52,912,264	4,264,635
CHANGE IN NET POSITION					(4,874,306)	155,931	(4,718,375)	160,225
NET POSITION - BEGINNING					70,236,924	48,405,900	118,642,824	21,172,476
Prior period adjustment					1,506,777	8,636,077	10,142,854	-
NET POSITION - BEGINNING, AS ADJUSTED					71,743,701	57,041,977	128,785,678	21,172,476
NET POSITION - ENDING					$ 66,869,395	$ 57,197,908	$ 124,067,303	$ 21,332,701

The notes to the financial statements are an integral part of this statement.

EXHIBIT C
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 8,419,304	$ 9,636,431	$ 18,055,735
Cash with fiscal agent	-	4,788,343	4,788,343
Sales tax receivable	1,763,444	-	1,763,444
Intergovernmental receivable	1,083,831	695,547	1,779,378
Fines receivable, net of allowance	2,914,081	-	2,914,081
Other receivables	939,904	104,381	1,044,285
Due from other funds	597,027	119,513	716,540
Property taxes receivable	14,630,744	3,782,867	18,413,611
Due from other agencies	7,969	-	7,969
Gas and oil inventory	22,001	-	22,001
Advances to other funds	300,000	-	300,000
Prepaid insurance	247,540	-	247,540
Total assets	$ 30,925,845	$ 19,127,082	$ 50,052,927
LIABILITIES			
Accounts payable	$ 1,079,521	$ 501,226	$ 1,580,747
Accrued wages and benefits	458,343	46,789	505,132
Due to other funds	99,873	378,115	477,988
Other liabilities	1,194,438	397,584	1,592,022
Due to other agencies	227,052	-	227,052
Advances from other funds	-	300,000	300,000
Total liabilities	3,059,227	1,623,714	4,682,941
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	14,500,000	3,753,791	18,253,791
Unavailable revenue - fines	2,914,081	-	2,914,081
Total deferred inflows of resources	17,414,081	3,753,791	21,167,872
FUND BALANCES			
Nonspendable:			
Inventories	22,001	-	22,001
Prepaid expenses	247,540	-	247,540
Long-term interfund advance	300,000	-	300,000
Restricted:			
Fire protection	-	910,049	910,049
Street improvements and repairs	-	2,706,017	2,706,017
Law enforcement	-	4,421,602	4,421,602
Mass transit	-	235,136	235,136

The notes to the financial statements are an integral part of this statement.

EXHIBIT C
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES (Cont.)			
Restricted: *(Cont.)*			
Debt service	$ -	$ 4,100,910	$ 4,100,910
Parks and recreation projects	-	426,237	426,237
Committed:			
Parks and recreation	-	1,003,527	1,003,527
Assigned:			
General government	108,925	-	108,925
Public safety	88,248	-	88,248
Public services	366,844	-	366,844
Other services	72,583	-	72,583
Unassigned	9,246,396	(53,901)	9,192,495
Total fund balances	10,452,537	13,749,577	24,202,114
Total liabilities, deferred inflows of resources, and fund balances	$ 30,925,845	$ 19,127,082	$ 50,052,927

The notes to the financial statements are an integral part of this statement.

EXHIBIT C.1
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position September 30, 2016

Total *fund balances* for governmental funds (Exhibit C)		$ 24,202,114
Total *net position* reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 29,854,169	
Construction in progress	11,207,129	
Infrastructure, net of $82,218,098 accumulated depreciation	65,652,801	
Buildings and improvements, net of $25,267,199 accumulated depreciation	23,400,416	
Machinery and equipment, net of $25,267,199 accumulated depreciation	6,659,983	
Total capital assets		136,774,498
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds.		2,914,081
Receivables not received within thirty days of year end are not reported in the funds.		2,363,172
Notes receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		3,705,539
Deferred outflows related to pensions are not reported in the funds		12,414,898

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position September 30, 2016

Deferred inflow related to pension are not reported in the funds.		$ (111,116)
Payables not paid within thirty days of year end are not reported in the funds.		(150,000)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position.		
Balances for these liabilities at September 30, 2016 are:		
Accrued interest on bonds and notes		(409,603)
General obligation bonds	$ (8,810,000)	
Limited obligation tax increment financing bonds	(12,041,000)	
Limited obligation economic development bonds and notes	(2,227,454)	
Unamortized premiums on bonds	(217,533)	
Capital leases	(15,100,254)	
Unamortized premiums on capital leases	(263,142)	
Compensated absences	(471,136)	
Net pension liability	(74,646,373)	
Other post employment benefits obligation	(1,057,296)	
Total long-term liabilities		(114,834,188)
Total *net position* of governmental activities (Exhibit A)		$ 66,869,395

The notes to the financial statements are an integral part of this statement.

EXHIBIT D
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	$ 14,988,854	$ 4,442,894	$ 19,431,748
Sales tax collections	21,862,011	-	21,862,011
Other taxes	31,982	-	31,982
Licenses and permits	4,098,361	-	4,098,361
Fines, forfeitures and penalties	1,527,501	154,539	1,682,040
Interest, rents and concessions	90,494	11,677	102,171
Intergovernmental	2,056,012	8,334,033	10,390,045
Charges for services	2,344,156	317,017	2,661,173
Other revenues	731,569	338,428	1,069,997
Total revenues	47,730,940	13,598,588	61,329,528
EXPENDITURES			
Current:			
General government	9,155,681	5,566,275	14,721,956
Public safety	20,325,723	3,283,165	23,608,888
Public services	11,808,901	2,953,520	14,762,421
Other services	1,674,014	724,514	2,398,528
Mass transit	-	1,209,658	1,209,658
Culture and recreation	-	4,292,584	4,292,584
Human/social assistance	191,933	769,923	961,856
Economic development	230,000	5,089,409	5,319,409
Debt service:			
Principal payments	1,047,853	9,277,826	10,325,679
Interest and fiscal charges	79,837	738,215	818,052
Total expenditures	44,513,942	33,905,089	78,419,031
Excess (deficiency) of revenues over expenditures	3,216,998	(20,306,501)	(17,089,503)

The notes to the financial statements are an integral part of this statement.

EXHIBIT D
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	$ -	$ 19,417,411	$ 19,417,411
Proceeds from refunding bonds	-	5,400,000	5,400,000
Transfers in	-	3,699,759	3,699,759
Transfers out	(3,631,543)	-	(3,631,543)
Other sources	3,154,329	(318,135)	2,836,194
Total other financing sources (uses)	(477,214)	28,199,035	27,721,821
NET CHANGE IN FUND BALANCES	2,739,784	7,892,534	10,632,318
Fund balances – beginning	7,712,753	5,857,043	13,569,796
Fund balances – ending	$ 10,452,537	$ 13,749,577	$ 24,202,114

The notes to the financial statements are an integral part of this statement.

EXHIBIT D.1
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016

Net change in *fund balances* - governmental funds (Exhibit D)		$ 10,632,318
The change in *net position* reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($14,299,906) exceeded depreciation expense ($8,057,761) in the current period.		6,242,145
Intergovernmental revenue recognized on the full-accrual basis in the statement of activities is increased for revenues received thirty days after year end.		(2,958,893)
Fine revenue deferred in the funds for the modified accrual basis during the current year decreased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		826,668
Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net position a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net position. The following adjustment combines the net changes for long-term debt:		
Debt issued:		
Notes payable and capital leases payable	$ (24,817,411)	
Repayments:		
To bond, note and lease holders	10,325,679	
Net adjustment for debt		(14,491,732)

The notes to the financial statements are an integral part of this statement.

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following adjustments combine the net changes of the two balances:		
Compensated absences	$ 4,555	
Accounts payable	188,627	
Amortization of bond premium	43,507	
Accrued interest on bonds and notes	(237,007)	
Combined adjustment		$ (318)
Change related to pension deferred outflows and inflows and obligations		(4,085,649)
Change related to other post employment benefit obligations		(551,531)
Governmental funds report annual note repayment received ($647,097) as the installment receipt of the sale of real estate. In the statement of activities, only the portion of these payments attributable to interest is reported as interest revenue ($159,783).		(487,314)
Change in *net position* of governmental activities (Exhibit B)		$ (4,874,306)

The notes to the financial statements are an integral part of this statement.

EXHIBIT E
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
Proprietary Fund
September 30, 2016

		Combined Water & Sewer System
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	$	10,753,877
Cash with fiscal agent		28,892,099
Accounts receivable - trade (net of allowance for doubtful accounts of $1,659,981)		2,036,156
Total current assets		41,682,132
NONCURRENT ASSETS		
Capital Assets		
Land		315,243
Construction in progress		5,262,259
Infrastructure, net		86,868,591
Buildings and improvements, net		321,108
Machinery and equipment, net		9,023,210
Total noncurrent assets		101,790,411
Total assets		143,472,543
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions		868,800
Prepaid bond insurance		230,160
Total deferred outflows		1,098,960
CURRENT LIABILITIES		
Due to governmental funds		238,551
Sales tax payable		31,855
Accounts payable		629,223
Accrued wages and benefits		42,227
Accrued interest payable		722,002
Other liabilities		265,691
Unamortized bond premium - current		45,384
Revenue bonds - current		2,735,000
General obligation bonds - current		2,069,000
General obligation note payable - current		173,771
Compensated absences - current		4,295
Total current liabilities		6,956,999

The notes to the financial statements are an integral part of this statement.

EXHIBIT E
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Position
Proprietary Fund
September 30, 2016

	Combined Water & Sewer System
NON-CURRENT LIABILITIES	
Revenue bonds	$ 60,775,000
General obligation bonds	12,411,000
General obligation note payable	120,684
Unamortized bond premium	392,417
Compensated absences	24,340
Net pension obligation	4,818,616
Other post employment benefits obligation	105,583
Customer meter deposits payable from restricted assets	1,327,351
Total non-current liabilities	79,974,991
Total liabilities	86,931,990
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	9,374
Deferred revenues	432,231
Total deferred inflows	441,605
NET POSITION	
Net investment in capital assets	23,068,155
Unrestricted	34,129,753
Total net position	$ 57,197,908

The notes to the financial statements are an integral part of this statement.

EXHIBIT F

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenses, and Changes In Net Position
Proprietary Fund
Year Ended September 30, 2016

	Combined Water & Sewer System
OPERATING REVENUES	
Water charges	$ 10,143,603
Sewer charges	10,117,051
Sewer connections	70,239
Turn-on fees	54,450
Taps	242,265
Total operating revenues	20,627,608
OPERATING EXPENSES	
Personal services	3,044,784
Other services and charges	10,444,989
Supplies and expenses	1,018,114
Depreciation	3,766,905
Other operating expenses	232,395
Total operating expenses	18,507,187
OPERATING INCOME	2,120,421
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	44,846
Interest expense	(2,197,054)
Other revenues	130,810
Total non-operating revenues (expenses)	(2,021,398)
INCOME BEFORE TRANSFERS	99,023
Transfers in	56,908
CHANGE IN NET POSITION	155,931
NET POSITION - beginning	48,405,900
Prior period adjustment	8,636,077
NET POSITION - beginning, as adjusted	57,041,977
NET POSITION - ending	$ 57,197,908

The notes to the financial statements are an integral part of this statement.

EXHIBIT G
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2016

		Combined Water & Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	20,206,647
Payments to suppliers and service providers		(15,335,516)
Payments to employees for salaries and benefits		(2,745,453)
Net cash provided by operating activities		2,125,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		56,908
Net cash provided by noncapital financing activities		56,908
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt issued		25,190,000
Principal payments - bonds and notes		(2,856,589)
Acquisition and construction of capital assets		(6,011,106)
Other receipts (payments)		130,810
Interest paid on capital debt		(1,994,539)
Net cash provided by capital and related financing activities		14,458,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		44,846
Net cash provided by investing activities		44,846
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,686,008
CASH AND CASH EQUIVALENTS - Beginning		22,959,968
CASH AND CASH EQUIVALENTS - Ending	$	39,645,976
Displayed on Exhibit E as:		
Cash and cash equivalents	$	10,753,877
Cash with fiscal agent		28,892,099
	$	39,645,976

The notes to the financial statements are an integral part of this statement.

EXHIBIT G
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2016

		Combined Water & Sewer System
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME	$	2,120,421
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense		3,766,905
Changes in assets and liabilities:		
(Increase) in accounts receivable - trade		(727,026)
Decrease in prepaid insurance - bonds		41,781
(Increase) in deferred outflows related to pensions		(278,745)
(Decrease) in accounts payable		(2,512,448)
(Decrease) in other liabilities		(979,866)
(Decrease) in wages and benefits payable		(62,880)
Increase in customer meter deposits		111,920
Increase in sales tax payable		9,187
(Decrease) in due to other governmental funds		(189,485)
(Decrease) in compensated absences		(21,224)
Increase in net pension obligation		714,426
Increase in other post employment benefits		48,612
(Decrease) in deferred inflows related to pensions		(100,858)
Increase in deferred revenues		184,958
Total adjustments		5,257
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	2,125,678

The notes to the financial statements are an integral part of this statement.

EXHIBIT H

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Police/Fireman Disability & Relief Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 56,320	$ 2,054,700
Property taxes and fees receivable	9,428	312,209
Sales tax receivable	-	439,039
Total assets	$ 65,748	$ 2,805,948
LIABILITIES		
Employee contributions payable	$ -	$ 1,259,111
Due to other agencies	-	993,217
Other liabilities	-	596
Amounts held in custody for others	-	553,024
Total liabilities	-	$ 2,805,948
NET POSITION		
Net position restricted for pension benefits	$ 65,748	

The notes to the financial statements are an integral part of this statement.

EXHIBIT I

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2016

	Police/Fireman Disability & Relief Pension Trust Fund
ADDITIONS	
Contributions:	
Plan members	$ 9,283
Total contributions	9,283
Property tax levy	1,306,624
Total additions	1,315,907
DEDUCTIONS	
Benefits	2,493,142
Administrative expenses	39,107
Total deductions	2,532,249
CHANGE IN NET POSITION	(1,216,342)
NET POSITION - BEGINNING	22,209,732
Prior period adjustment	(20,927,642)
NET POSITION - BEGINNING, AS ADJUSTED	1,282,090
NET POSITION - ENDING	$ 65,748

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the third largest municipality in the state with nearly 50,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public safety (Police, Fire, and Code Enforcement), Public Works, Engineering, Solid Waste Collection, Water and Sewer, Social and Recreational, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities.

B. Reporting Entity

The City is a charter city in which citizens elect the mayor at large and five council members by wards. The accompanying financial statements present the City's primary government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit - The Hattiesburg Convention Commission (the Commission) is composed of a seven member board whose members are appointed by the Hattiesburg City Council. The purpose of the Commission is to promote conventions and tourism. The Commission has the authority over all matters relating to the establishment, development, construction, furnishing, and equipping of convention and tourism related facilities. The Commission is primarily funded by a 2% sales tax on local food, beverage, and alcoholic beverage package retailer permits. The Commission is presented as a governmental fund type. Pursuant to component unit criteria guidelines, the Commission is presented as a discretely presented component unit based upon the budgetary oversight provided by the City in conjunction with other related criteria including, but not limited to, the City's ability to make board appointments and, the Commission's status as a legally separate entity.

A separate financial statement of the Commission can be obtained by contacting the Hattiesburg Convention Commission, 1 Convention Center Plaza, Hattiesburg, Mississippi 39401.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements. Internal activities, including interfund transfers and due to/due from balances attributable to governmental activities have been eliminated for government-wide financial statement presentation purposes.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied based on historical trends of collections in relation to assessments. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE THREE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

> ***General Fund -*** The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Activities accounted for in the general fund include police and fire protection, public services, general government, sanitation, city courts, urban development, and other services.

The City reports the following major proprietary fund:

> ***Combined Water and Sewer System Fund -*** The Combined Water and Sewer System Fund accounts for the activities of the water and sewer system. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fund types:

> ***Special Revenue Funds -*** These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt.

Capital Project Funds **-** These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Police/Fireman Disability and Relief Pension Trust Fund **-** The Police and Fireman Disability and Relief Pension Trust Fund is used to account for resources legally held in trust for use by the City's uniformed police officers and firefighters that were employed prior to July 1, 1987. This fund provides retirement and disability benefits and death benefits to plan members and beneficiaries.

Agency Funds **-** The City's agency funds account for employee payroll tax withholdings, initial tax deposits from the county tax collectors, initial special sales tax receipts, and the Forrest County Industrial Park Commission's fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer system enterprise fund are charges to customers for sales and services. The water and sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

To maximize interest earnings, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Fund, the 1999 Tax Increment Financing Bond and Interest and Construction Funds, the Water and Sewer USA Yeast Bond and Interest and Construction Funds, the Community Development Block Grant Fund for Entitlement and HOME Entitlement, the 2001 Bond Construction Fund, the 1998 Infrastructure Fund, the Group Insurance Trust Fund, the Series 2006 Water and Sewer Bond Funds, and certain other legally restricted funds.

Investments for the City and its component unit are reported at fair value.

Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE SIX
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All sales taxes, property taxes, and notes receivables are considered collectible; therefore no reduction has been made for an allowance for these receivables. Fees paid in lieu of ad valorem taxes pursuant to separate agreements are recognized when collected or when probability of receipt is reasonably certain. Fines receivable is reported net of allowance for uncollectible accounts in the amount of $16,295,417 at September 30, 2016. Credits against fines are applied for any jail time served, community service, or electronic monitoring. Since any such credits are not known until actual events occur, the amounts of those credits cannot be reasonably estimated before they are earned. Therefore, future credits to be applied against existing fines receivable are not estimated or reflected in the City's financial statements.

Customer accounts receivable in the enterprise fund are attributable to unpaid balances at year-end for charges for services. The City estimates the allowance for doubtful water and sewer account balances based upon a review of balances and status of customer accounts and upon consideration of historical collection trends and other factors.

Property taxes are levied annually for the upcoming fiscal year beginning October 1st on property values assessed as of the previous January 1st. Such levy, which establishes a lien against the underlying property, is made by the City Council in September before the beginning of the fiscal year. Property taxes are recognized in the year for which they are levied. Property tax statements on real property are typically mailed in December each year, with the taxes due annually on February 1st. All taxes are collected and remitted to the City on a monthly basis by Forrest and Lamar County governments. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. Property with delinquent taxes as of August is subject to sale for collection of such taxes. Property taxes on vehicles are assessed annually and become due throughout the year based upon the month of acquisition.

Inventories and prepaid items

All inventories are valued at the lower of cost using the first-in/first-out (FIFO) method or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE SEVEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, street lights, sewer and water lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Infrastructure	18 – 50 years
Machinery and equipment	5 – 10 years

Net pension liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plans and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by Public Employees' Retirement System of Mississippi. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred outflows/inflows of resources

Deferred outflows of resources are a separate financial statement element that represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports prepaid insurance on the Water & Sewer Revenue Bonds in the government-wide and the proprietary statements of net position as a deferred outflow of resources. Bond insurance paid from debt proceeds as a credit enhancement feature with the bonds is deferred and amortized over the life of the bonds. In addition, deferred outflows include amounts related to pensions, including contributions to the employee pension plan subsequent to the measurement date of the actuarial valuations for the plan.

Deferred inflows of resources are a separate financial statement element that represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from special assessments, and these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Both the government-wide statements and governmental funds report property taxes levied for the subsequent year, which are deferred and recognized as an inflow of resources in the period for which they are levied. The government-wide statements also reflect pension related items resulting from the difference between estimated and actual return on pension plan investments, which are being amortized over a five year period using the straight-line method.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, overtime, and holiday pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation, overtime, and holiday pay is accrued when incurred in the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be paid from current resources, for example, as a result of employee resignations and retirements, based on management's estimates.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE NINE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Long-term obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond discounts and premiums are amortized over the life of the related bonds. Bond issuance costs, other than prepaid insurance costs, are recognized as expenses in the period incurred. Prepaid insurance costs are reported as an asset and are recognized as expenses over the duration of the related debt.

Governmental fund types recognize bond issuance costs during the current period. The face amount of debt is reported as other financing sources, and bond discount is recorded as another financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other services in expenditures.

Net position

The government-wide statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflow/outflows of resources, with the difference reported as net position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling creditors, grantors, or laws or regulations of other governments.

Fund balance policies

The City provides fund balance categories to report the nature and extent of the constraints placed on a government's fund balances. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in spendable form, such as inventories and prepaid items, or are legally or contractually required to remain intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- *Committed fund balance* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* – the residual amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council, the City's highest level of decision-making authority, establishes, modifies, or rescinds fund balance commitments by passage of resolutions that also establish the City's spending policy that prescribes that restricted fund balance amounts are to be spent first, followed by committed, assigned and, lastly, unassigned fund balances.

The City does not have a formal minimum fund balance policy but transfers resources among funds as necessary to address any deficiencies at the fund level.

F. Budgets and Budgetary Accounting

The City's procedures for establishing its budget and for reporting budgetary data reflected in the financial statements are as follows:

1. In August, the City's Chief Financial Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to September 15, the budget is legally enacted through the passage of an ordinance by the City Council. The budget may be subsequently amended by action of the City Council.

3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

4. All funds, with the exception of Trust and Agency Funds, are budgeted, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds. These budgets are prepared on a cash basis, modified for encumbrances for goods and services which have been received.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE ELEVEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Pursuant to the Mississippi State Department of Audit's prescribed format, expenditures are budgeted by department and class as follows: personal services, supplies, other services and charges, capital outlays, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final approval of the City Council. Cumulative increases to departmental expenditures in excess of 10% must also be published in the local newspaper.

Encumbrances arise from the issuance of purchase orders, which must be within the adopted budgetary limits. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred upon receipt of goods or services. Encumbrances do not lapse at the close of the fiscal year but are carried forward. If necessary, subsequent year budgets are amended to cover prior year encumbrances.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates which could change in the near-term include collectible portions of receivables from property taxes levied but not yet due, the allowance for doubtful Water and Sewer customer accounts receivable, the net collectible amounts of Municipal Court fines receivable, claims liabilities for the employee health insurance plan, useful lives of capital assets, and liabilities for pension and other post-employment benefits. In addition, long-term and current portions of compensated absences will be paid. Actual results may differ from those estimates.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE TWELVE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments reflected on the City's financial statements is presented below:

Explanation	Amount
Exhibit B (Governmental Activities)	
Correction of Error:	
To adjust capital lease balance	$ 43,354
To adjust compensated absences balance	1,306,603
To adjust capital assets, net of accumulated depreciation	156,820
	$ 1,506,777
Exhibit B (Business-Type Activities) and Exhibit F	
Correction of Error:	
To adjust capital assets, net of accumulated depreciation	$ 8,824,877
To adjust accrued interest on long-term liabilities	(297,231)
To adjust compensated absences balance	108,431
	$ 8,636,077
Exhibit I Fiduciary Funds	
Correction of Error:	
To adjust for pension trust assets in custody of PERS	$ (20,927,642)

NOTE 3 - DEPOSITS

Deposits - 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 State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity'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 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 (FDIC).

NOTE 3 - DEPOSITS (Cont.)

The carrying amount of the City's deposits with financial institutions reported in the government-wide statements was $28,809,612 (exclusive of cash with fiscal agents disclosed below). The bank balance was $32,269,663. The City's long standing, although not formally adopted, investment policy is based upon all bank accounts being fully collateralized (using the procedures described above) and interest-bearing with rates updated on a quarterly basis and benchmarked using verifiable appropriate federal funds rates. Interest is calculated using average balances and recorded monthly.

Custodial credit risk - deposits - Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2016, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

Cash with fiscal agents - The carrying amount of the City's cash with fiscal agents held by financial institutions was $33,680,442. In addition, the City's discretely presented component unit had cash and investments with fiscal agents of $4,945,960.

Interest rate risk - The City 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.

NOTE 4 - NOTES RECEIVABLE

In 2010, the City Council authorized a purchase of property located at 510 West Pine Street for the Sacred Heart Catholic Parish. Pursuant to the terms of this agreement, the City financed the purchase price of $2,500,000 through the issuance of the City's General Obligation Pool Loan Refunding Bonds, Series 2010, to be repaid over 20 years with the final bonds maturing July 1, 2030. The Diocese of Biloxi executed a $2,500,000 promissory note requiring annual payments not to exceed $219,000 at an interest rate not to exceed 5.5% to coincide with the scheduled principal, interest and servicing fees attributable to the City's Series 2010 bonds. At September 30, 2016, the balance of this note receivable was $2,015,000.

In 2012, the City Council authorized a loan agreement and promissory note for $2,000,000 to be repaid over 20 years, at a rate of 2% in monthly installments of $10,118, commencing February 1, 2013 and continuing until February 1, 2033. This arrangement was executed pursuant to Katrina Supplemental CDBG Program grant agreements that resulted in loan funding for site acquisition for two historic downtown buildings, with monthly repayments required from the City to the Mississippi Development Authority (MDA). Under the terms of the loan agreement, HCL Leverage Lender LLC will remit the above-noted monthly payments to the City, and after the receipt of these payments, the City will in turn remit the resulting payments to MDA. At September 30, 2016, the balance of this note receivable was $1,690,539.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 29,753,609	$ 100,560	$ -	$ -	$ 29,854,169
Construction in progress	3,342,675	11,536,347	(4,287,417)	615,524	11,207,129
Total capital assets not being depreciated	33,096,284	11,636,907	(4,287,417)	615,524	41,061,298
Capital assets being depreciated:					
Buildings and improvements	44,546,475	4,840,114	-	(718,973)	48,667,616
Machinery and equipment	33,050,481	1,789,377	(32,437)	527,956	35,335,377
Infrastructure	147,979,233	320,925	-	(429,259)	147,870,899
Total capital assets being depreciated	225,576,189	6,950,416	(32,437)	(620,276)	231,873,892
Less accumulated depreciation for:					
Buildings and improvements	24,487,438	1,477,689	-	(697,928)	25,267,199
Machinery and equipment	25,756,112	2,071,339	(32,437)	880,381	28,675,395
Infrastructure	78,053,390	4,508,733	-	(344,025)	82,218,098
Total accumulated depreciated	128,296,940	8,057,761	(32,437)	(161,572)	136,160,692
Total capital assets being depreciated, net	97,279,249	(1,107,345)	-	(458,704)	95,713,200
Governmental activities capital assets, net	$ 130,375,533	$ 10,529,562	$ (4,287,417)	$ 156,820	$ 136,774,498

Note: Adjustments represent the correction of errors in the depreciation schedule.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FIFTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - CAPITAL ASSETS (Cont.)

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments**	**Ending Balance**
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 315,243	$ -	$ -	$ -	$ 315,243
Construction in progress	3,422,443	5,805,124	(4,362,709)	397,401	5,262,259
Total capital assets not being depreciated	3,737,686	5,805,124	(4,362,709)	397,401	5,577,502
Capital assets being depreciated:					
Buildings and improvements	334,833	-	-	(13,725)	321,108
Machinery and equipment	9,061,293	205,983	(190,651)	(53,415)	9,023,210
Infrastructure	109,994,529	4,362,709	-	8,386,128	122,743,366
Total capital assets being depreciated	119,390,655	4,568,692	(190,651)	8,318,988	132,087,684
Less accumulated depreciation for:					
Buildings and improvements	310,669	1,606	-	(13,950)	298,325
Machinery and equipment	8,158,979	411,715	(190,651)	(75,198)	8,304,845
Infrastructure	23,937,360	3,353,584	-	(19,340)	27,271,604
Total accumulated depreciation	32,407,008	3,766,905	(190,651)	(108,488)	35,874,774
Total capital assets being depreciated, net	86,983,647	801,787	-	8,427,476	96,212,910
Business-type activities capital assets, net	$ 90,721,333	$ 6,606,911	$ (4,362,709)	$ 8,824,877	$ 101,790,412

Note: Adjustments represent the correction of errors in the depreciation schedule and inclusion of prior year infrastructure previously retired.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - CAPITAL ASSETS (Cont.)

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:		
General government	$	215,354
Public safety		1,021,702
Public works – which includes the depreciation of infrastructure assets		5,314,990
Health and welfare		19,131
Other services		245,870
Culture and recreation		573,381
Mass transit		667,333
Total depreciation expense - governmental activities	$	8,057,761

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/from various City funds at September 30, 2016, consist of the following:

Receivable Fund	Payable Fund		Amount
General fund	Nonmajor governmental fund	$	367,858
General fund	Combined water and sewer system		43,311
Nonmajor governmental fund	Combined water and sewer system		9,383
Nonmajor governmental fund	General fund		99,873
Nonmajor governmental fund	Nonmajor governmental fund		10,257
Total		$	530,682

The outstanding balances between funds result mainly from the time lag between the dates that goods and services are provided or reimbursable expenditures occur and satisfaction of those amounts. These balances are expected to be collected within one year.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)

Advances to/from other funds for governmental funds at September 30, 2016, consist of the following:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund	$ 300,000

The amount payable to the general fund from the nonmajor governmental fund is attributable to working capital loans made to the Community Development Block Grant fund. None of the balance shown is scheduled to be collected in the subsequent year.

The composition of interfund transfers for the year ended September 30, 2016, is as follows:

	Transfers In:		
Transfers out:	**Nonmajor Governmental**	**Combined Water and Sewer System**	**Total**
General fund	$ 3,574,635	$ 56,908	$ 3,631,543
Agency fund	125,125	-	125,125
Total	$ 3,699,760	$ 56,908	$ 3,756,668

Interfund transfers are authorized components of the budget and are typically used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES

Section 35-57-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. Section 39-3-7, Mississippi Code 1972, authorizes the City to levy and collect a tax not in excess of three mills for the support of any public library system located within the municipality.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE EIGHTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 7 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES (Cont.)

For the reported fiscal year, the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

Entity/Purpose of Levy	Applicable State Law	Mills Levied
School District:		
Operational Support	37-57-105	57.45
School Bonded Indebtedness	37-59-23	7.44
Library (support, upkeep and maintenance of Hattiesburg Public Library System)	39-3-7	1.95

NOTE 8 - CLAIMS AND JUDGMENTS

The City provides employee health and accident coverage through a self-insurance program that utilizes a plan administrator as its claims-servicing organization, with the City retaining the risk of loss on all claims to which the City is exposed. Premium payments into the plan are established as a part of the City's budgetary process and upon consideration of actuarial recommendations are provided by the plan administrator. The City has opted to set premium rates for individual and family coverage at somewhat lower levels than those recommended. Therefore, additional costs not expected to be covered by premiums are separately budgeted in individual funds in which related payroll costs are incurred. When necessary based upon the claims paid during the fiscal year, the City makes supplemental transfers from payroll budgets of various funds into separate self-insurance fund accounts, which are included in the general fund for financial reporting purposes for fiscal year 2016.

To limit its exposure to risk under this self-insured program, the City maintains reinsurance which provides two separate stop loss coverages: specific and aggregate. These coverages are provided by an outside commercial carrier. For the fiscal year 2016, the specific coverage begins when an individual participant's claim exceeds $100,000, with unlimited maximum benefit per covered person. The aggregate policy covers all submitted claims in excess of the minimum aggregate deductible, which is the greater of $4,226,552 or 95% or the annualized first monthly aggregate deductible. Maximum covered expenses of $100,000 per covered person accumulate toward the unlimited maximum aggregate benefit.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE NINETEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 8 - CLAIMS AND JUDGMENTS (Cont.)

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal year 2016:

Unpaid claims, beginning of fiscal year	$ 352,919
Plus: Incurred claims (including IBNRs)	4,474,070
Less: Claims payments	(4,488,268)
Unpaid claims, end of fiscal year	$ 338,721

Cash on deposit in the Group Insurance Fund at September 30, 2016 was $223,083. Based on the above projection of net unpaid claims in excess of cash on deposit, interfund receivables were established from the respective operating funds at September 30, 2016.

NOTE 9 - LEASE OBLIGATIONS

The City has entered into various lease agreements as lessee for financing equipment purchases, for a major energy improvement project for various City facilities, and for the construction of a law enforcement complex and recreational administration building. The energy improvement project and the building construction projects are still in the construction phase at September 30, 2016 and are recorded as construction in progress in the statement of net position. The equipment under capital lease has useful lives ranging from seven to ten years and is being depreciated based on those useful lives.

For fiscal year 2016, the assets recorded under capital leases and included in capital assets in the accompanying statement of net position are as follows:

Governmental Activities:

Construction in progress - not being depreciated	$ 8,135,877
Machinery and equipment	$ 3,856,259
Accumulated depreciation	(1,390,562)
Net book value	$ 2,465,697
Current year depreciation expense	$ 511,773

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY
YEAR ENDED SEPTEMBER 30, 2016

NOTE 9 - LEASE OBLIGATIONS (Cont.)

These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date, including projected payments for those still in the construction phase. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30,		**Governmental Activities**
2017	$	1,399,341
2018		1,763,123
2019		1,384,982
2020		1,132,056
2021		968,722
2022-2026		5,066,594
2027-2031		5,579,741
2032-2033		2,795,195
Total minimum lease payments		20,089,754
Less: amount representing interest		(4,989,499)
Present value of minimum lease payments	$	15,100,255

NOTE 10 - LONG-TERM LIABILITIES

General Obligation Bonds and Notes- Governmental and Water and Sewer

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City and have been issued for both governmental and business-type activities. Notes are generally issued with a five-year maturity. The City has no special assessment bonds or anticipation notes at September 30, 2016. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 5 to 20 years. General obligation notes and bonds outstanding at September 30, 2016 are as follows:

(See Table on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

General Obligation Bonds and Notes

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/16
Public Improvements	2007	$ 6,025,000	4.00%	2018	$ 1,395,000
Public Improvements	2010	2,560,000	6.00%	2030	2,015,000
Public Improvements	2015	5,400,000	3.50 - 5.00%	2035	5,400,000
					$ 8,810,000
Business-type Activities:					
Public Improvements	2010	$ 7,500,000	2.75 - 3.80%	2030	$ 2,830,000
Public Improvements	2015	4,605,000	2.00 - 3.00%	2024	4,525,000
Public Improvements	2016	7,125,000	1.60%	2021	7,125,000
					$ 14,480,000

Limited Obligation Economic Development Bonds and Notes

The City also has issued limited obligation debt for economic development purposes that is repaid from revenues pledged under the terms of the respective contractual agreements made pursuant to the authorization for these projects by the governing authorities. Thus, future revenues are pledged in the amount of future debt service requirements. These limited obligation bonds and notes are generally issued with essentially level annual principal and interest payments with maturities that range from 10 to 20 years. Limited obligation notes and bonds outstanding at September 30, 2016 are as follows:

Economic Development Limited Obligation Bonds and Notes

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/16
Kohler Exempt G.O. Bond	1998	$ 5,500,000	0.00%	2017	$ 290,000
MDB Limited Obligation Bonds (Church)	2009	2,937,000	2.90 - 6.00%*	2030	246,915
Hub City Lofts	2012	2,000,000	2.00%	2033	1,690,539
					$ 2,227,454

**Variable rate for MDB debt is adjusted weekly using the SIFMA Muni-Index plus 1.2%.*

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Limited Obligation Tax Increment Financing Bonds

Tax increment financing (TIF) bonds are issued by the City to provide funds for the acquisition and construction of infrastructure and related improvements in conjunction with commercial development projects. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 20 years. These bonds are secured by the payment of the incremental increase in City property taxes from each project's TIF taxing district as authorized under the TIF plan document approved by the governing authorities. These bonds may also be secured by county participation as authorized by executed interlocal agreements pledging incremental increase in county property taxes in the TIF taxing district. Limited obligation TIF bonds outstanding at September 30, 2016 are as follows:

Limited Obligation TIF Bonds

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/16
Chauvet Square	2003	$ 1,100,000	4.50 - 5.35%	2023	$ 545,000
Chauvet Square	2007	1,400,000	4.50%	2027	1,080,000
Turtle Crossing	2007	4,100,000	4.35%	2021	1,795,000
Lincoln Center	2008	610,000	4.00%	2023	330,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	250,000
Kohls	2012	715,000	5.00%	2021	390,000
Southern Pointe	2014	2,600,000	4.85%	2029	2,350,000
Hattiesburg Clinic - Midtown Project	2015	845,000	4.00%	2031	845,000
Ridge at Turtle Creek	2015	1,225,000	5.50%	2031	1,225,000
Midtown Market	2015	210,000	5.50%	2031	210,000
Whispering Pines	2016	3,021,000	4.00 - 4.75%	2031	3,021,000
					$ 12,041,000

Business-type Activities (Water and Sewer) Revenue Bonds

In addition to water and sewer general obligation bonds, the City also issues water and sewer revenue bonds to provide funds for the acquisition and construction of water and sewer system infrastructure and related improvements and system rehabilitation. These bonds are secured by water and sewer operating revenues and are subject to the requirements of the respective revenue bond documents. These bond documents include important parity debt requirements with the issuance of each new series of revenue bonds and require annual net revenue tests to be performed in accordance with the prescribed calculations.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 15 to 25 years. Revenue bonds outstanding at September 30, 2016 are as follows:

Revenue Bonds

Business-type Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/16
W&S Revenue Project, Series 2012	2012	$ 12,500,000	2.50 - 5.00%	2032	$ 10,610,000
W&S Refunding Bonds, Series 2014	2014	28,000,000	3.00 - 5.00%	2038	27,900,000
W&S Refunding Bonds, Series 2016	2016	25,000,000	3.03%	2026	25,000,000
					$ 63,510,000

Business-type Activities (Water and Sewer) State Revolving Loan Fund (SRF) Notes

In addition to water and sewer revenue bonds, the City has utilized financing available under the State of Mississippi Revolving Loan Fund (SRF) program to provide funds for qualified sewer projects. Monthly principal and interest payments for the repayment of these notes is deducted from the City's monthly sales tax diversion payments from the Mississippi Department of Revenue, with monthly reimbursements to the City's general fund being made from monthly operating sewer system revenues as authorized by the City's budget document. The SRF notes outstanding at September 30, 2016 are as follows:

State Revolving Loan Funds

Business-type Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/2016
SRF #2	1997	$ 2,165,672	4.50%	2017	$ 81,987
SRF #3	1999	1,293,195	4.50%	2019	212,467
					$ 294,454

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Compensated Absences

Vested or accumulated vacation leave, holiday leave, and accrued overtime that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave, holiday leave, and accrued overtime that are not expected to be liquidated with expendable available financial resources are reported as noncurrent liabilities. In accordance with the provisions of ASC 710-10-20, *Compensation*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences at September 30, 2016 are as follows:

	Governmental Activities	Business-Type Activities	Primary Government
Accrued vacation pay	$ 322,429	$ 28,635	$ 351,064
Accrued overtime pay	15,216	-	15,216
Accrued holiday pay	133,491	-	133,491
Total	$ 471,136	$ 28,635	$ 499,771

Refunding Bonds

Governmental activities - During fiscal year 2016, the City issued $5,400,000 in general obligation refunding bonds with an average interest rate of 2.00 to 3.00% to refund $5,490,000 of the 2009 General Obligation Refunding Bonds Issue #2, with an average remaining interest rate of 2.50 to 3.00%. The economic gain resulting from this transaction was a net present value benefit of $184,028.

Business-type activities - In November 2015, the City issued $4,605,000 in Water & Sewer general obligation refunding bonds with an average interest rate of 2.00 to 3.00% to refund $4,605,000 of the 2009 General Obligation Water and Sewer Bonds, with an average remaining interest rate of 2.75 – 3.80%. The economic gain resulting from this transaction was a net present value benefit of $288,254.

In August 2016, the City issued $7,125,000 in Water & Sewer general obligation refunding bonds with an average interest rate of 1.60% to refund $6,935,000 of the 2006 Water and Sewer Refunding Revenue Bonds, with an average remaining interest rate of 4.125 – 4.375%. The economic gain resulting from this transaction was a net present value benefit of $367,496.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2016 are as follows:

Governmental Activities:	**Balance September 30, 2015**	**Additions**	**Reductions**	**Adjustments**	**Balance September 30, 2016**	**Due Within One Year**
Bonds and notes payable						
General obligation bonds and notes	$ 11,415,000	$ 5,400,000	$ (2,515,000)	$ (5,490,000)	$ 8,810,000	$ 1,645,000
Limited obligation TIF bonds	7,430,000	5,301,000	(690,000)	-	12,041,000	980,000
Economic development limited obligation bonds and notes	2,618,521	-	(391,067)	-	2,227,454	407,419
Unamortized premium on bonds	-	261,040	(43,507)	-	217,533	43,507
Total bonds and notes payable	21,463,521	10,962,040	(3,639,574)	(5,490,000)	23,295,987	3,075,926
Capital leases	2,790,991	13,592,229	(1,239,611)	(43,354)	15,100,255	746,667
Unamortized premium on leases	-	263,142	-	-	263,142	13,158
Total capital leases	2,790,991	13,855,371	(1,239,611)	(43,354)	15,363,397	759,825
Compensated absences	1,782,294	-	(4,555)	(1,306,603)	471,136	70,671
Governmental activities long-term liabilities	$ 26,036,806	$ 24,817,411	$ (4,883,740)	$ (6,839,957)	$ 39,130,520	$ 3,906,422

Business-type Activities:	**Balance September 30, 2015**	**Additions**	**Reductions**	**Adjustments**	**Balance September 30, 2016**	**Due Within One Year**
Bonds and notes payable						
General obligation bonds and notes	$ 8,050,000	$ 11,730,000	$ (695,000)	$ (4,605,000)	$ 14,480,000	$ 2,069,000
Revenue bonds	47,210,000	25,000,000	(1,765,000)	(6,935,000)	63,510,000	2,735,000
State revolving loan funds	691,045	-	(396,591)	-	294,454	173,771
Unamortized premium on bonds	251,941	231,244	(45,384)	-	437,801	45,384
Total bonds and notes payable	56,202,986	36,961,244	(2,901,975)	(11,540,000)	78,722,255	5,023,155
Compensated absences	158,290	-	(21,224)	(108,431)	28,635	4,295
Business-type activities long-term liabilities	$ 56,361,276	$ 36,961,244	$ (2,923,199)	$ (11,648,431)	$ 78,750,890	$ 5,027,450

Note: Adjustments represent refunding bond issues and correction to the capital lease obligation.

CITY OF HATTIESBURG, MISSISSIPPI

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YEAR ENDED SEPTEMBER 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

The debt service requirements for the City's bonds and notes are as follows:

Governmental Activities:

Year Ending September 30,	G.O. Bonds and Notes Principal	G.O. Bonds and Notes Interest	Limited Obligation TIF Bonds Principal	Limited Obligation TIF Bonds Interest
2017	$ 1,645,000	$ 273,200	$ 980,000	$ 541,321
2018	1,700,000	223,350	1,022,000	508,003
2019	1,020,000	186,475	1,068,000	461,023
2020	1,050,000	163,075	1,116,000	411,880
2021	1,085,000	134,075	1,157,000	360,700
2022-2026	1,565,000	368,482	3,668,000	1,202,710
2027-2031	745,000	115,200	3,030,000	366,935
Total	$ 8,810,000	$ 1,463,857	$ 12,041,000	$ 3,852,572

Year Ending September 30,	Economic Development Limited Obligation Bonds and Notes Principal	Economic Development Limited Obligation Bonds and Notes Interest	Total Governmental Activities Principal	Total Governmental Activities Interest
2017	$ 407,419	$ 38,951	$ 3,032,419	$ 853,472
2018	111,907	34,017	2,833,907	765,370
2019	113,730	31,899	2,201,730	679,397
2020	115,590	29,774	2,281,590	604,729
2021	117,488	27,637	2,359,488	522,412
2022-2026	617,278	105,521	5,850,278	1,676,713
2027-2031	594,279	45,778	4,369,279	527,913
2032-2033	149,763	2,005	149,763	2,005
Total	$ 2,227,454	$ 315,582	$ 23,078,454	$ 5,632,011

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CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Business-type Activities:

Year Ending	G.O. Bonds and Notes		State Revolving Loan Funds	
September 30,	Principal	Interest	Principal	Interest
2017	$ 2,069,000	$ 297,766	$ 173,771	$ 8,763
2018	2,111,000	264,555	96,001	3,467
2019	2,159,000	225,154	24,681	185
2020	2,206,000	184,665	-	-
2021	2,260,000	145,109	-	-
2022-2026	2,680,000	317,170	-	-
2027-2030	995,000	81,372	-	-
Total	$ 14,480,000	$ 1,515,791	$ 294,453	$ 12,415

Year Ending	Revenue Bonds		Total Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2017	$ 2,735,000	$ 2,297,469	$ 4,977,771	$ 2,603,998
2018	2,830,000	2,211,892	5,037,001	2,479,914
2019	3,010,000	2,124,593	5,193,681	2,349,932
2020	3,155,000	2,032,550	5,361,000	2,217,215
2021	3,240,000	1,936,961	5,500,000	2,082,070
2022-2026	21,645,000	7,853,315	24,325,000	8,170,485
2027-2031	10,705,000	4,805,615	11,700,000	4,886,987
2032-2036	9,745,000	2,635,644	9,745,000	2,635,644
2037-2039	6,445,000	471,852	6,445,000	471,852
Total	$ 63,510,000	$ 26,369,891	$ 78,284,453	$ 27,898,097

During the year ended September 30, 2016, interest expense paid for governmental activities and business-type activities totaled $976,120 and $2,197,054, respectively.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 11 - SCHEDULE OF STATUTORY DEBT LIMITATIONS

The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations as of September 30, 2016:

		15% Test	20% Test
Assessed value as of September 30, 2016 ($426,507,409) times applicable percentage	[a]	$ 63,976,111	$ 85,301,482
Present debt subject to debt limits as of September 30, 2016:			
Total bonds and notes other than water and sewer		23,078,454	23,078,454
Less: Bonds exempt from debt limitation calculations		(14,268,454)	(14,268,454)
Add: Water & sewer debt other than revenue bonds		N/A	14,480,000
General obligation debt subject to applicable tests	[b]	8,810,000	23,290,000
Margin for additional debt [a] minus [b]		$ 55,166,111	$ 62,011,482

NOTE 12 - RELATED ORGANIZATION

The following related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the organization.

Hattiesburg Tourism Commission - The Commission consists of seven members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals. The City collects that tax and distributes it to the Tourism Commission. Amounts disbursed for the fiscal year ended September 30, 2016 totaled $647,730. Amount due from special tax agency fund to the Tourism Commission at September 30, 2016 was $53,676 and was included in the accompanying statement of fiduciary net position under the caption due to other funds and was distributed within thirty days.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 13 - JOINT VENTURES

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, Mississippi Code Annotated (1972), to operate the Forrest County Industrial Park Commission. The joint venture was created to develop and operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. The Commission is governed by a ten member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five members. Each entity is obligated to provide equal funding for the ongoing financial support of the Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

The City of Hattiesburg is a participant with Forrest County, Jones County, and the State of Mississippi to operate the Hattiesburg/Laurel Regional Airport Authority authorized by Section 61-3-5, Mississippi Code Annotated (1972). The joint venture, governed by a five member board of commissioners, was created to maintain and develop the Authority for the City and aforementioned counties. Each governmental entity appoints one board member. A separate financial statement of the Hattiesburg/Laurel Regional Airport Authority can be obtained by contacting the Authority at 1002 Terminal Drive, Moselle, Mississippi 39459.

The City of Hattiesburg is a participant with Forrest County and the City of Petal in a joint venture authorized by Section 39-3-38, Mississippi Code Annotated (1972) to operate the Library of Hattiesburg, Petal, and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The library is governed by a fifteen member board appointed by the governments involved as follows: City of Hattiesburg - six members; Forrest County - six members; and City of Petal - three members. Each entity is obligated by contract to levy not less than 1.25 mills as authorized by Sections 39-3-35 and 39-3-37, Mississippi Code Annotated (1972), for the ongoing financial support of the library. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Emergency Management District provides emergency services to the City of Hattiesburg and Forrest County. The entity is controlled by an eight member council. The Council is chosen as follows by the following authorities: Mayor of Hattiesburg - one; Forrest County Board of Supervisors - one; Sheriff of Forrest County - one; AAA Ambulance - one; Hattiesburg Police Chief - one; Hattiesburg Fire Chief - one; the University of Southern Mississippi - one; and Forrest General Hospital - one. Operating funds are provided by state grants, E-911 charges and direct contributions.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2016, the City's CDBG Fund and the Airport Improvement Fund reported deficit fund balances of $51,649 and $2,252, respectively, which are attributable to the cumulative effect of program expenditures in excess of grant reimbursements. Additionally, there was a deficit fund balance of $4,845 in the Series 2015B Midtown Market TIF Bond Debt Service Fund that was the result of a timing difference attributable to the initial interest on these bonds.

NOTE 16 - COMMITMENTS

At September 30, 2016, the outstanding balance on the USA Yeast Pretreatment Facility was $2,463,090 and the balance on the 4th Street Expansion Phase I project was $2,378,117. Miscellaneous outstanding water and sewer projects totaled $2,267,766. Other miscellaneous projects outstanding contracts in progress at September 30, 2016 totaled $1,443,832.

Significant encumbrances at September 30, 2016, included $135,544 for paving projects, $80,762 for electronic timekeeping equipment, $109,890 for drainage pipes, and $57,994 for emergency generator maintenance costs.

September 30, 2016		
General Government Projects	$	5,943,032
Infrastructure Projects		1,959,791
Water & Sewer Projects		8,309,138
Commitments for construction projects in progess, end of fiscal year	$	16,211,961

NOTE 17 - CONTINGENCIES

USA Yeast Facility - During fiscal year 2015, the City completed construction of a wastewater pretreatment facility, or evaporator plant for a manufacturing facility located within the City. Project costs were funded with CDBG Economic Development Grant funds and with private funds provided by the manufacturer. Under the terms of the grant agreement, the City has title to assets constructed with grant funds, and the manufacturing company owns the assets constructed with its funds. Pursuant to an agreement between the City and the company and to terms of the CDBG grant agreement, title to the equipment and components will transfer to the company upon expiration of the agreement on December 31, 2021. In conjunction with this project, the City has a ground lease for company property on which the evaporator plant is located. This lease requires payment of $1 per year and expires December 31, 2021.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 17 - CONTINGENCIES (Cont.)

Compliance with the Mississippi Department of Environmental Quality Order - Pursuant to its authority under the Clean Water Act, the Mississippi Department of Environmental Quality (MDEQ) issued permits to the City for discharges from the North and South Lagoons. In March 2013, Gulf Restoration Network (GRN) filed a complaint against the City under the Clean Water Act, alleging violations of the Permits. In August 2012, the Mississippi Commission on Environmental Quality (MCEQ) intervened. As a result of that intervention, the City was mandated to rehabilitate and improve its wastewater treatment system under an Agreed order executed, and subsequently amended, between the City and MDEQ. Under the amended Agreed order, the City was required to meet certain milestones or be subject to imposition of penalties.

Compliance with provisions and timelines established under the Amended Agreed order has required the City to pursue rehabilitation and improvement of the City's infrastructure and wastewater treatment systems in various project phases over a long-term period. Infrastructure improvements began in 2012 and are ongoing. System rehabilitation and improvement projects necessary to meet Amended Agreed Order mandates were estimated to cost approximately $125,000,000 to $159,000,000. However, upon subsequent amendment and then replacement by the Stipulated Order terminating the Amended Consent Judgment in August 2017, the City was conditionally relieved from its unpaid fines, penalties, and construction obligations imposed under the Amended Consent Judgment. See Note 21 – Subsequent Events for additional details related to the Stipulated Order.

Although the City was subsequently granted relief from certain mandated sewer system improvements, the City expects to continue efforts to improve performance of its systems potentially requiring additional outlays. The City also anticipates additional future costs in connection with maintenance of the water and sewer system and in connection with current and future debt obligations related to infrastructure improvements, which may require significant incremental service rate increases in order to meet all applicable financial, contractual, and regulatory requirements.

Litigation - The City is party to various legal proceedings which normally occur in governmental operations. While the City cannot predict the results of any litigation, legal counsel for the City of Hattiesburg believes that it has meritorious defenses for those actions, proceedings and claims, or they are without merit or are of such kind, or involve such amounts, that unfavorable dispositions not covered by insurance resulting from such litigation would not materially affect the financial statements of the City of Hattiesburg, Mississippi. The City includes anticipated attorney fees for ongoing matters in its annual budget for the year in which such fees are incurred.

Federal Grants - In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with 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.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 17 - CONTINGENCIES (Cont.)

Group Insurance Programs - The City obtains its workers' compensation, general and automobile liability insurance through certain group insurance programs of the Mississippi Municipal Service Company. Under these programs and pursuant to State of Mississippi regulations, participants are jointly and severally liable for claims incurred; however, the City has experienced no loss under such provisions and cannot reasonably estimate the amount or possibility of losses under these programs.

Self-Funded Health Insurance Program - The City provides health insurance to its employees under a self-insured program, as previously described. The City obtains reinsurance to protect against significant loss; however, under the terms of such reinsurance policies, the City is ultimately responsible for covered claims. While the City estimates and recognizes expected claims liabilities related to this program, the amount or possibility of any additional loss cannot be reasonably estimated.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS

The City allows eligible retirees to obtain health insurance by participating in its self-funded health insurance plan provided to employees and certain eligible dependents. Retirees are eligible for these benefits upon attaining age 60 with 8 years of service or any age with 25 years of service for medical benefits. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, such postemployment healthcare benefits are reportable by the City under GASB Statement 45 as a single employer defined benefit health care plan. This type of plan is considered an "other post- employment benefit plan", or "OPEB".

Plan Description - The City provides health insurance coverage to participating eligible retirees through its single- employer defined benefit healthcare plan, which is a self-funded plan administered by United Healthcare. The plan also provides health benefits to employees and their eligible dependents. The portion of the plan attributable to retirees represents other postemployment benefits for financial reporting purposes. Although the City expects to continue the plan indefinitely, it has the right to discontinue, alter, or modify the plan in whole or in part at any time and for any reason, at its sole determination. The Plan does not issue a stand-alone financial report. Instead, accounts of the Plan are included in the financial statements of the City. The City Council must approve any changes to the Plan provisions.

Funding Policy - Benefits of the plan are self-insured by the City. The City maintains an account for the purpose of paying claims and administrative costs of its self-funded health insurance plan. The account requires that a minimum balance be maintained, and the City deposits additional funds for claims incurred and anticipated payments on a pay-as-you-go basis. Balances in the account belong to the City. Amounts contributed to this account are earmarked for plan expenses but may be revoked at the City's discretion. Therefore, balances are reported in assets of the general fund, and employer contributions are not recognized until payment of claims by the administrator to retirees or their beneficiaries.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Participating retirees make monthly contributions through premium payments based on coverage type. Monthly retiree contributions for single and family coverage for the fiscal year ended September 30, 2016 totaled $388 and $638, respectively. For the years ended September 30, 2016 and 2015, the City contributed $161,224 and $149,281, respectively, to the plan for expected payouts for retiree benefits, which represented 21.20% and 20.97%, respectively, of the actuarially determined annual required contribution of $762,287 and $712,017, respectively. No amounts have been contributed to finance future medical benefits under the plan for either current or future retirees.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed 30 thirty year period. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation related to the plan:

Year Ended September 30	**2016**	**2015**
Normal cost	$ 591,613	$ 568,859
Amortized accrued liability in excess of actuarial assets	155,871	129,331
Interest	14,803	13,827
Annual required contribution	762,287	712,017
Interest on net OPEB obligation	22,509	-
Adjustment to annual required contribution	(23,429)	-
Annual OPEB cost (expense)	761,367	712,017
Contributions made for payment of retiree benefits	(161,224)	(149,281)
Increase in net OPEB obligation	600,143	562,736
Net OPEB obligation - beginning of year	562,736	-
Net OPEB obligation - end of year	$ 1,162,879	$ 562,736

Funded Status and Funding Progress - As of October 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $3,730,934, which was also the amount of the unfunded actuarial accrued liability (UAAL).

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2015, actuarial valuation, the entry age normal level percent of salary actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8% initially, grading uniformly to 5% over a 6-year period, a 4% discount rate, a 2.5% salary scale, and 95% participation rate of eligible future retirees. The UAAL is being amortized as a level percentage of projected payroll over a closed 30-year period. The remaining amortization period at September 30, 2016 was 28 years. Pre-65 annual per capital medical claims costs are assumed to be $8,927 per participant per year at age 65, and claims are assumed to decrease 3% per attained age. No claims costs are assumed for post-65 retirees. Additionally, administrative costs were assumed to be $383 per retiree per year and were assumed to increase 5% annually.

NOTE 19 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Plans

Pension Plan Descriptions - The City contributes to the PERS cost-sharing multiple-employer defined benefit pension plan (the Cost-Sharing Plan), which covers all eligible employees, except certain sworn and uniformed policemen and firemen who participate in the City of Hattiesburg Police and Fire Disability and Relief Fund (PFDR), also administered by PERS. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PFDR Plan members consist of all full-time sworn and uniformed policemen and firemen who were employed by July 1, 1987. All full-time sworn and uniformed policemen and firemen employed after July 1, 1987, participate in the Cost-Sharing Plan. The PFDR Plan is affiliated with the Mississippi Municipal Retirement

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

System (MRS), an agent multiple-employer defined benefit pension plan, and as of June 30, 2016, included one active member and 147 retirees and beneficiaries currently receiving benefits. Benefit provisions for both plans are established by State law and may be amended only by the State of Mississippi Legislature. The Plans' provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq. (1972, as amended), and may be amended only by the Mississippi Legislature.

PERS is administered by a 10-member Board of Trustees that includes: the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

The Board of Trustees is responsible for the general administration and proper operation of PERS. The executive director is designated by the Board to lead and conduct all business for PERS. PERS operates under legislative mandate with respect to administrative budgets, human resources, and purchasing guidelines.

The financial statements of PERS are prepared using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to legal requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board {GASB). Under these requirements, PERS is considered a component unit of the State of Mississippi for financial reporting purposes and, as such, the financial statements issued by PERS are included in the State of Mississippi's Comprehensive Annual Financial Report. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Supporting actuarial information for the Cost-Sharing Plan is also provided in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2016. The auditor's opinion on that report, which includes in an accompanying schedule of collective pension amounts as of June 30, 2016 and for the year then ended is also available. PERS also issues a publicly available financial report for the MRS, which includes separate information for the PFDR plan. All such information is available at www.pers.ms.gov or may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444- PERS.

CITY OF HATTIESBURG, MISSISSIPPI

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YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Cost-Sharing Plan Benefits Provided - 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 members of the Cost-Sharing Plan before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of the Cost-Sharing Plan before July 1, 2011), plus 2.5% 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 the Cost-Sharing Plan before July 1, 2007). The Cost-Sharing Plan 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 payment is made to eligible retirees and beneficiaries equal to 3.0% 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 the Cost-Sharing Plan before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

PFDR Plan Benefits Provided - MRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Membership eligibility and benefit provisions are governed by the general laws of the State of Mississippi, as well as local and private legislation enacted by the Mississippi State Legislature. Statutes may only be amended by the Mississippi Legislature. The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least 20 years of creditable service, regardless of age. The retirement benefits are calculated in an amount equal to 50% of the employee's average compensation, plus 1.7% of average compensation for each year of credited service over 20 with an aggregate amount not to exceed 66-2/3%. Annual cost-of-living (COLA) adjustments are made to allowances of all retirees and beneficiaries, as further described below. Disability and death benefits are also provided under the plan. Upon a member's termination for any reason before retirement, that member's accumulated contributions are refunded.

CITY OF HATTIESBURG, MISSISSIPPI

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YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Cost-Sharing Plan Contributions - Employer and member contributions are based on actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and are determined through the most recent June 30 annual valuation. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. Contribution requirements of PERS members and employers are established by the State of Mississippi Legislature, and at September 30, 2016, PERS members were required to contribute 9% of their annual salary, and employers were required to contribute 15.75% of covered payroll. The City's contributions (employer share only) to PERS for the years ended September 30, 2016, 2015 and 2014 were \$3,738,948, 3,501,030, and \$3,492,961, respectively, equal to the required contributions each year.

PFDR Funding Policy - The PERS System Board of Trustees establishes the funding policy for MRS plans. The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates, expressed as millage rate tax applied to assessed property tax values, and active employee contributions at stated rates. The employee contribution rate as of September 30, 2016, was 10% of covered payroll. Contributions under this funding policy, established beginning in the 2011-2012 fiscal year, will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100% - 150%) of the next year's projected benefit payment. At that point, actuarially determined employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level; however, ultimately the City has the option of determining the contribution rate to set as its certified millage rate. The millage rate set by the City must be at a level that will ensure actuarial soundness of the System.

In developing the annual required contribution shown in the following paragraphs, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2020 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of September 30, 2016 under the Pre-2011 and Post-2011 Funding Policy rates are 12.76 mills and 3.33 mills, respectively. The actual tax levy set in 2015 for the pension fund for policemen and firemen for the year ended September 30, 2016 was 2.97 mills.

For the year ended September 30, 2016, contributions totaling \$1,305,257 (\$1,296,130 employer and \$9,127 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2016. The employer's annual required contribution (ARC) was actuarially determined to be \$1,569,815 (consisting of \$ -0- normal ARC and \$1,569,815 accrued liability ARC).

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Pension Liabilities and Pension Expense - At September 30, 2016, the City reported a liability of approximately $79,464,989 for its proportionate share of the collective net pension liability of the Cost-Sharing Plan and the net pension liability allocated to PFDR. The net pension liability (NPL) for both plans was measured as of June 30, 2016, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2016 for the Cost-Sharing Plan and for the PFDR Plan. The NPL recorded as of September 30, 2016, and the pension expense recognized by the City for the year ended September 30, 2016, was as follows:

	Cost - Sharing Plan	PFDR	Total
Net pension liability	$ 63,626,214	$ 15,838,775	$ 79,464,989
Net pension expense	$ 6,867,464	$ 1,581,725	$ 8,449,189

The NPL is the difference between the TPL and the pension plans' fiduciary net position (FNP). The TPL is the present value of the pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments. The FNP is determined on the same basis as that used by the pension plans. The City's proportion of the collective Cost-Sharing Plan NPL was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2016 the City's proportion was 0.356159% as compared to its proportion measured at June 30, 2015 of 0.354714%, or an increase of 0.001445%.

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

The change in the NPL for PFDR was as follows:

Year Ended September 30, 2016	**Total Pension Liability**	**Fiduciary Net Position**	**Net Pension Liability**
Service cost	$ 12,368	$ -	$ 12,368
Interest	2,745,617	-	2,745,617
Changes of assumptions	-	-	-
Difference between expected and actual experience	9,542	-	9,542
Contributions - employer	-	1,326,942	(1,326,942)
Contributions - employee	-	9,993	(9,993)
Net investment income	-	16,092	(16,092)
Benefit payments, including refunds of employee contributions	(3,348,794)	(3,348,794)	-
Administrative expense	-	(26,539)	26,539
Other changes	-	92,588	(92,588)
Net change	(581,267)	(1,929,718)	1,348,451
Net pension liability, beginning of year	37,101,716	22,611,392	14,490,324
Net pension liability, end of year	$ 36,520,449	$ 20,681,674	$ 15,838,775

Sensitivity to the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The following table presents the City's net pension liabilities calculated using the discount rate of 7.75%, as well as what the System's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease	**Current Rate**	**1% Increase**
Cost-sharing plan net pension liability	$ 81,583,072	$ 63,626,214	$ 48,727,843
PFDR plan net pension liability	$ 19,101,847	$ 15,838,775	$ 13,038,274

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FORTY
YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Cost - Sharing Plan		PFDR
September 30, 2016	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Differences between expected and actual experience	$ 1,264,733	$ -	$ -
Changes of assumptions	2,137,557	-	-
Net difference between projected and actual earnings on investments	3,448,290	120,490	2,022,362
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,332,226	-	-
Employer contributions subsequent to the measurement date	957,224	-	121,306
	$ 11,140,030	$ 120,490	$ 2,143,668

Deferred outflows of resources related to the Cost-Sharing Plan and PFDR resulting from City contributions subsequent to June 30, 2016 (the measurement date) were $957,224 and $121,306, respectively, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an addition to (reduction of) pension expense as follows:

	Cost - Sharing Plan		PFDR
Year Ending September 30:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
2017	$ 3,191,499	$ (48,584)	$ 563,635
2018	3,191,499	(48,584)	563,635
2019	2,478,116	(23,322)	563,633
2020	1,321,692	-	331,459
	$ 10,182,806	$ (120,490)	$ 2,022,362

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Recognition of pension-related deferred inflows and deferred outflows is reflected in changes in unrestricted net position.

Actuarial Assumptions - For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. The TPL was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Cost - Sharing Plan	PFDR Plan
Inflation	3.00%	3.50%
Investment rate of return (net of plan investment expense and inflation)	7.75%	8.00%
Projected salary increases, including inflation	3.75% - 19.00%	4.50% - 6.00%

The actuarial assumptions used in the Cost-Sharing Plan actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report was dated May 4, 2015.

Mortality rates for the Cost-Sharing Plan were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with mortality improvements based on Scale BB projected to 2016 and set forward one year for males.

The long-term expected rate of return on Cost-sharing pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

The target asset allocation and best estimates of geometric real rates of return for each major asset class in the Cost-Sharing Plan are as follows:

Investment Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S Broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.75% for both pension plans. The projection of cash flows used to determine the discount rate for the Cost-Sharing Plan assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, components of the pension plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT

Capital asset activity for the Hattiesburg Convention Commission (Commission) for the year ended September 30, 2016 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,315,877	$ -	$ -	$ 1,315,877
Construction in progress - Eureka	2,469,883	198,342	-	2,668,225
Construction in progress - Zoo projects	121,386	26,730	(148,116)	-
Total capital assets not being depreciated	3,907,146	225,072	(148,116)	3,984,102
Capital assets being depreciated:				
Buildings, parking lot, etc.	18,133,585	-	-	18,133,585
Furniture and fixtures	474,945	-	-	474,945
Equipment and vehicles	1,596,199	-	-	1,596,199
Assets acquired under capital lease	34,737	-	-	34,737
Total capital assets being depreciated	20,239,466	-	-	20,239,466
Less accumulated depreciation for:				
Buildings, parking lot, etc.	6,889,154	407,314	-	7,296,468
Furniture and fixtures	432,415	1,851	-	434,266
Equipment and vehicles	1,465,150	22,472	-	1,487,622
Assets acquired under capital lease	34,737	-	-	34,737
Total accumulated depreciated	8,821,456	431,637	-	9,253,093
Total capital assets being depreciated, net	11,418,010	(431,637)	-	10,986,373
Governmental activity capital assets, net	$ 15,325,156	$ (206,565)	$ (148,116)	$ 14,970,475

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT

The Commission has certain long-term obligations related to its operations of various facilities. The schedule below details the changes in those obligations during the year ended September 30, 2016:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016
Saenger bond obligation	$ 312,810	$ -	$ 312,810	$ -
Total amounts	$ 312,810	$ -	$ 312,810	$ -

The Commission's Saenger bond obligation originated upon the Commission's assumption of operations of the Theater in 1998 and its agreement to fund the cost of certain renovations made by the City. Pursuant to its agreement with the City, the Commission was required to make monthly payments of $10,427 through March 2018, which approximates the City's debt service requirements related to the renovation cost incurred. The Commission's payments to the City during the year ended September 30, 2016 totaled $312,810, which satisfied the balance owed on the obligation.

The City entered into a contract with the Commission and the Hattiesburg Tourism Commission during fiscal year 2010 for the management of the Hattiesburg Zoo at Kamper Park. In May 2012, a new agreement was entered into with the Commission that allowed for the Commission to accept full financial responsibility for any subsidy requirement necessary for operations of the Hattiesburg Zoo, thus ending the monthly management fee as contained in the original contract. Six months prior to the end date of the contract (September 30, 2020), all parties agree to review the financial status of the Zoo operations to consider whether any revisions to the financial plan are necessary.

During the year ended September 30, 2016, the Commission contracted for certain capital projects. The Commission transferred completed construction projects totaling $885,597 to the City, which are reflected in capital assets of the City as of September 30, 2016.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated subsequent events after the financial statement date of September 30, 2016 through June 26, 2018, which is the date the financial statements were available to be issued. Significant subsequent events are described below.

NOTE 21 - SUBSEQUENT EVENTS (Cont.)

Commitments for Additional Debt

The City has approved limited obligation tax increment financing bonds that have not yet been issued, as follows:

- Corner Market Project, principal up to $1,500,000, 20 year term
- Hardy South Project, principal up to $1,000,000, term up to 20 years
- Midtown Elam Arms Project, principal up to $9,000,000, term up to 15 years; to be partially secured by sales tax revenues.

Mississippi Department of Environmental Quality Consent Order - Stipulated Order Terminating Amended Consent Judgment

Subsequent to September 30, 2016, the MDEQ Agreed Order was further amended. The City failed to meet certain milestones and incurred penalties during the 2016 fiscal year totaling $319,500. In addition, the City has incurred costs totaling over $8 million during the 2016 fiscal year related to its comprehensive sewer rehabilitation project mandated under the agreed order. However, in August 2017, GRN, the City and MDEQ, the parties involved in the rehabilitation and improvement of the City's sewer system mandated under the Amended Agreed Order, negotiated a settlement. Pursuant to this settlement, a conditional Stipulated Order Terminating Amended Consent Judgment (the Stipulated Order) was entered on August 23, 2017. Terms of the Stipulated Order include submission of a revised permit request for the South Lagoon which incorporates certain monitoring requirements. Upon issuance of the amended permit and entry of a separate Agreed Order by the Mississippi Commission on Environmental Quality establishing a stipulated penalty of $1,500 per day for future violations, the Amended Consent Judgment will automatically terminate. The stipulated order further requires the City to provide certain effluent and performance information to GRN for a limited time.

As a result, the litigation aspect of this matter is conditionally concluded, and the City is also conditionally no longer liable for unpaid fines, penalties or construction obligations under the Amended Consent Judgment, subject to the City complying with terms of the Stipulated Order. The Stipulated Order precludes the City from having to immediately move forward to construct a fully mechanical wastewater treatment plant at an estimated cost exceeding $150 million, as was required by the Amended Consent Judgment. As a result of relief granted under the Stipulated Order, the City will suspend certain project elements that were in development and design stages as of September 30, 2016. The City expects that it will continue its efforts to improve the performance of the existing lagoon treatment system and also expects that modifications to the system may be recommended, potentially requiring additional capital outlays. However, the cost of any such improvements and modifications is not determinable at this time.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2016

NOTE 21 - SUBSEQUENT EVENTS (Cont.)

Annexation

The City is in the process of expanding its corporate limits through the process of annexation which, pursuant to State law, requires Chancery Court ratification of the City's adopted ordinance. In conjunction with its annexation activities, the City is party to various litigation with Lamar County, the City of Petal, and Bellevue incorporators. The outcome of these cases and effects on annexation endeavors is not determinable due to the early stages of the matters.

Ad Valorem Tax Exemption

Subsequent to September 30, 2016, the City was named as a defendant, along with Forrest County, in an action by Kohler Co. seeking significant tax exemptions beyond the ten-year exemptions permitted by statute. The case is in its early stages and therefore no probability of outcome can be predicted.

Matters Related to Funding

Subsequent to September 30, 2016, certain Federal and State grant reimbursements were delayed because of delinquency in submission of City annual financial reports. In addition, the City's credit rating was suspended in November 2016.

SUPPLEMENTARY INFORMATION

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Programs From:			
Governor's Department of Housing and Urban Development			
CDBG Entitlement Grants - Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	MC-28-0006	$ 107,176
Community Development Block Grants/Entitlement Grants	14.218	B15-MC-28-0006	335,047
Total - *CDBG Entitlement Grants Cluster*			442,223
HOME Investment Partnerships Program	14.239	MC-28-0201	221,845
HOME Investment Partnerships Program	14.239	M15-MC-28-0201	21,250
HOME Investment Partnerships Program	14.239	M16-MC-28-0201	41,072
			284,167
Total U.S. Department of Housing and Urban Development Pass-Through Programs			726,390
U.S. Department of Justice			
Pass-Through Programs From:			
Office of Justice Programs			
OVW Technical Assistance Initiative	16.526	14-WF-AX-0020	16,461
OVW Technical Assistance Initiative	16.526	15-WF-AX-0046	1,581
			18,042
Criminal and Juvenile Justice and Mental Health Collaboration Program - Jail Diversion Project Grant	16.745	2014-MO-BX-0030	42,216
Total U.S. Department of Justice Pass-Through Programs			60,258

The accompanying notes are an integral part of this schedule.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0031-0022-2015	$ 300,910
Airport Improvement Program	20.106	3-28-0031-0023-2016	101,371
Total - Federal Aviation Administration Direct Programs			402,281
Federal Transit Administration			
Federal Transit Cluster:			
Mass Transit Operating	20.507	MS-90-4090	162,504
Mass Transit Preventative	20.507	MS-90-0090	95,817
Mass Transit - JARC	20.507	MS-90-X093	29,892
Mass Transit - Capital	20.507	MS-90-X095	39,088
Mass Transit Operating	20.507	MS-90-4095	223,821
Mass Transit Preventative	20.507	MS-90-0095	52,345
Total - Federal Transit Formula Grants			603,467
Total - *Federal Transit Cluster*			603,467
Total U.S. Department of Transportation Direct Programs			1,005,748
Federal Highway Administration			
Pass-Through Programs From:			
Mississippi Department of Transportation			
Highway Planning and Construction Cluster:			
Metropolitan Planning Organization	20.205	106572-101000	27,952
Metropolitan Planning Organization	20.205	106933-101000	201,457
Long Leaf Trace Phase III	20.205	HPP-0210-00(015) LPA/105214-801000	915,769
Transportation Enhancement - 34th Avenue	20.205	STP-0210-00(026)/106412-701000	46,558
Transportation Enhancement - Various Streets, Landscape, and Pedestrian Improvments	20.205	STP-0018-00(029)/106346-701000	597,918
Total - *Highway Planning and Construction Cluster*			1,789,654

The accompanying notes are an integral part of this schedule.

SCHEDULE 1
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CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation (Cont.)			
National Highway Traffic Safety Administration			
Pass-Through Programs From:			
Mississippi Department of Public Safety - Office of Highway Safety			
Alcohol Open Container Requirements	20.607	154AL-2016-ST-21-51	$ 52,805
Total U.S. Department of Transportation Pass-Through Programs			1,842,459
U.S. Department of Health and Human Services			
Pass-Through Program From:			
Mississippi Bureau of Narcotics			
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G14GC0003A/G15GC0003A	9,823
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G16GC0003A	16,567
			26,390
Total U.S. Department of Health and Human Services Pass-Through Programs			26,390
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Assistance to Firefighters Grant	97.044	EMW-2014-FO-06387	9,239
Total U.S. Department of Homeland Security Direct Programs			9,239
U.S. Department of Homeland Security			
Pass-Through Programs From:			
Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4268-DR-MS	388,520
Total U.S. Department of Homeland Security Pass-Through Programs			388,520
Total Expenditures of Federal Awards			$ 4,059,004

The accompanying notes are an integral part of this schedule.

CITY OF HATTIESBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant expenditure activity of the City of Hattiesburg under programs of the federal government for the year ended September 30, 2016. Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Hattiesburg.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers are presented when available.

NOTE 3 - PAYMENTS MADE TO SUBRECIPIENTS

Federal funds provided to subrecipients from the Community Development Block Grants/State's Program and from the Home Investment Partnerships Program during the year ended September 30, 2016 totaled $55,238 and $3,725, respectively.

NOTE 4 - DE MINIMIS COST RATE

The City elected not to recover indirect costs for federal programs using the 10% de minimis cost rate allowed by the Uniform Guidance in Section 414.

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
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TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

Schedule 2

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hattiesburg, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control.

Our consideration of internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-012 and 2016-014 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency as described in the accompanying schedule of findings and questioned costs as item 2016-013 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hattiesburg, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-010 through 2016-014.

City of Hattiesburg's Response to Findings

The City of Hattiesburg, Mississippi's response to the findings identified in our audit is described in Appendix A to the accompanying schedule of findings and questioned costs. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

Schedule 3

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

Report on Compliance for the Major Federal Program

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Hattiesburg, Mississippi's major federal program for the year ended September 30, 2016. The City of Hattiesburg, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Hattiesburg, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hattiesburg, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Hattiesburg, Mississippi's compliance.

Basis for Qualified Opinion on the Highway Planning and Construction Program

As described in the accompanying schedule of findings and questioned costs, the City of Hattiesburg, Mississippi did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction Program as described in Finding 2016-010 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the City of Hattiesburg, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on the Highway Planning and Construction Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Hattiesburg, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Program for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-011 through 2016-014. Our opinion on the major federal program is not modified with respect to these matters.

The City of Hattiesburg Mississippi's response to the noncompliance findings identified in our audit is described in Appendix A to the accompanying schedule of findings and questioned costs. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Hattiesburg, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hattiesburg, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over compliance.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2016-010 through 2016-012 and 2016-014 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-013 to be a significant deficiency.

The City of Hattiesburg, Mississippi's response to the internal control over compliance findings identified in our audit is described in Appendix A to the accompanying schedule of findings and questioned costs. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements:

Opinion Unit	Opinion
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Aggregate Remaining Governmental Funds	Unmodified
Combined Water and Sewer System	Unmodified

Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over the major federal program:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for the major program:	
Highway Planning and Construction	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of the major federal program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditor's Results (Cont.)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Finding:

Finding # 2016-001 Entity-Level Control Environment and Risk Assessment Processes

Finding Type: Material Weakness

Criteria - The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model has been adopted as the generally accepted framework for evaluating internal controls framework, organizational structure, assignment of authority and responsibility, estimating the potential significance of risks relevant to achievement of financial reporting objectives, and responding to such risks represent elements of entity-level internal controls.

Condition - The City did not timely initiate or make substantial progress in implementation of corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2015.

Context - The City has previously developed a comprehensive plan in response to certain material entity-level control weaknesses related to financial reporting, but the City had not yet implemented corrective actions during fiscal year 2016.

Cause - The City's organizational structure, depth of resources of personnel with suitable knowledge and skill in financial reporting, and process for evaluating and addressing risks related to financial reporting result in entity-level control weaknesses.

Effect - Previously identified material weaknesses and significant deficiencies in internal control, along with other deficiencies, continued unmitigated in fiscal year 2016.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-001 Entity-Level Control Environment and Risk Assessment Processes (Cont.)

Identification of Repeat Finding 2015-001

Recommendation - The Administration should take steps to implement corrective actions for identified material weaknesses and significant deficiencies in internal controls and assess its overall control environment and risk assessment processes.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 99.

Finding:

Finding # 2016-002 Entity-Level Information, Communication and Monitoring

Finding Type: Material weakness

Criteria - The City must maintain effective internal accounting procedures over information, communication, and monitoring functions that relate to financial reporting and legal compliance.

Condition - The City's financial reporting system and monitoring processes lack sufficient depth and structure to ensure that all relevant information is timely identified, communicated to appropriate financial and accounting personnel, assessed for financial reporting impact, and assimilated into the financial reporting process.

Context - The City's centralized accounting system does not have a structured and cohesive process to obtain, maintain, and analyze data from varied sources as part of its information management and financial reporting system or to communicate and educate departmental personnel regarding criteria and responsibilities for conveyance of information.

Cause - The City's entity-wide controls and procedures do not effectively ensure that all relevant information is timely incorporated into the financial reporting process. In addition, lines of authority and responsibility under the City's organizational structure are incompatible with the structure of its financial reporting process. Further, the City has experienced significant turnover of management personnel in recent years. Staff turnover has caused loss of knowledge base, including familiarity with informal and undocumented procedures performed in prior years.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-002 Entity-Level Information, Communication and Monitoring (Cont.)

Effect - Deficiencies in information and communication processes cause delays in completion of the annual financial reporting process thus limiting the City's ability to meet legal, regulatory, and contractual deadlines for submission of annual financial statements.

Identification of Repeat Finding 2015-002

Recommendation - The City should immediately develop and implement procedures to enhance its process for timely identifying, maintaining, conveying, and reporting information relevant to financial reporting. Procedures should be formally documented and incorporated into the financial reporting process on an ongoing basis, and personnel responsible for financial reporting monitoring and oversight should have appropriate levels of authority in order to enforce accountability of personnel responsible for accumulating, maintaining, and communicating data.

Views of Responsible Officials - The City's Corrective Action Plan is presented on pages 99 – 100.

<u>Finding:</u>

Finding # 2016-003 Timeliness of Financial Reporting

Finding Type: Material Weakness

Criteria - Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Mississippi law, and terms of various bonds, grants, contracts, and agreements impose financial reporting requirements and deadlines for submission by the City of annual financial statements presented in accordance with U.S. generally accepted accounting principles.

Condition - During the year ended September 30, 2016, the City failed to meet financial reporting deadlines for its financial statements for the fiscal year ended September 30, 2015. Also, the city failed to meet financial reporting deadlines for submitting its financial statements for the year ended September 30, 2016.

Context - The City did not complete its financial reporting process before financial reporting deadlines had passed.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-003 Timeliness of Financial Reporting (Cont.)

Cause - The financial reporting system of the City was not adequate for timely production of financial statements. See also Finding 2016-004.

Effect - Failure to maintain compliance with financial reporting requirements and deadlines exposes the City to risk of delay or curtailment of funding. Costs of funds may also increase because of liquidity drains or noncompliance with reporting requirements.

Identification of Repeat Finding 2015-003

Recommendation - The City should implement procedures that will allow for timely financial reporting in accordance with all applicable reporting deadlines.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 100.

Finding:

Finding # 2016-004 Financial Statement Adjustment, Close, and Disclosure

Finding Type: Material weakness

Criteria - The City's internal accounting controls, including year-end procedures, should be sufficient to ensure that amounts are properly classified, that accounts are properly valued, and that pertinent rights and obligations are properly reflected in the financial statements in accordance with U.S. generally accepted accounting principles.

Condition - The City does not routinely maintain data necessary to prepare required conversions from its cash basis accounting records to the modified accrual and/or accrual bases of accounting required for financial reporting purposes. Additionally, City's accounting system does not consistently ensure proper cut-off and valuation or completeness of transactions and balances at year-end for reporting purposes.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-004 Financial Statement Adjustment, Close, and Disclosure (Cont.)

Context - The City's financial reporting system centers on its budgetary cash basis accounting processes and this typically requires extensive manual processes after the end of the fiscal year for financial reporting purposes. These year-end processes have become increasingly difficult due to the complexity of governmental financial reporting requirements. In particular, the City does not routinely capture and maintain data necessary for conversion of cash basis to appropriate fund and accrual basis financial presentation or for preparation of necessary disclosures and supplementary information reported in its financial statements. Further, the City does not routinely perform valuation assessments, such as estimates of impairment of carrying value of its long-term assets or estimates of net realizable values of receivables, in order to determine whether financial statement adjustments are appropriate.

Cause - The City's reliance on its budgetary cash basis general ledger system and year-end conversion processes to provide financial reporting information does not allow for the timely preparation of its basic financial statements along with the necessary disclosures and supplemental schedules.

Effect - The City cannot readily prepare conversion adjustments required for financial reporting purposes and cannot readily produce necessary disclosures and supplemental schedules and increases the risk of omission of information which should be reported under U.S. generally accepted accounting principles.

Identification of Repeat Finding 2015-004

Recommendation - The City should develop a plan to address deficiencies in its financial statement adjustment, close, and disclosure processes. The City's Corrective Action Plan is presented on page 100.

Finding:

Finding # 2016-005 Municipal Court Fines

Finding Type: Material weakness

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-005 Municipal Court Fines (Cont.)

Criteria - Internal accounting controls should be sufficient to ensure that recorded Municipal Court fines and related accounts receivable and assessments payable balances are complete, accurate, properly valued, and reported in the proper period. In addition, State law requires maintenance of permanent Court dockets and minute records, as well as an accounts receivable system which is reconciled monthly and periodically aged and analyzed.

Condition - The City lacks sufficient internal controls over Municipal Court fines to ensure that all amounts are properly recorded, that only authorized transactions are accurately recorded in the proper period, that gross balances outstanding represent valid underlying amounts, that State assessments are properly applied, that nonmonetary credits and adjustments are properly authorized and recorded, and that estimates of net realizable value take into account collection activity, nonmonetary credits and other pertinent data. City procedures related to Municipal Court fines are not adequate to achieve compliance with requirements of Mississippi law or to ensure integrity of recorded amounts.

The City does not exercise appropriate oversight of the Municipal Court accounting process. Case management activities, including both manual procedures and software application processes, are not adequate to ensure completeness or accuracy of data or to assure that errors and irregularities are prevented or detected and corrected on a timely basis. In addition, system-generated reports are not adequate to support reconciliation and roll-forward of case balances or to facilitate effective review. Periodic analyses are neither prepared nor reported to management for review, and the City lacks formal procedures and methodology to support its estimated net realizable value of outstanding fines.

Context - The Municipal Court department is responsible for maintaining detail case data, including original estimated fines, adjusted fines as legally imposed, payments and nonmonetary credits applied against fines, mandated State assessments, and various data related to each citation and offense. The City utilizes specialized peripheral software systems to record and maintain case information and related activity.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-005 Municipal Court Fines (Cont.)

Amounts of fines receivable and State assessments payable for each case are maintained in the separate peripheral system but are not recorded in the City's general ledger system. Instead, the general ledger reflects only daily cash receipt amounts, summarized by account, and detail of expenditures, which consist primarily of payments of State assessments. Recorded cash receipts and disbursements are the only information routinely reported to or reviewed by management. However, since the cash basis excludes amounts of fines imposed, related State assessment obligations, adjustments to case amounts, nonmonetary credits, and balances outstanding, it is insufficient to allow effective monitoring of case balances or activity related to fines.

Receivables and payables are recognized only for annual financial reporting purposes and are not reconciled or reviewed periodically. Year-end recognition of these balances, net of the allowance for uncollectible accounts, is based upon retrospective review of data available after fiscal year-end.

Subsidiary software does not effectively maintain accounting period cut-off data and there are system design and limitations that result in the reports that do not accurately reflect accounting period cut-off since records do not consistently or effectively capture dates upon which case fines legally attach or base balance calculations on dates of underlying transactions. This lack of proper accounting period information also distorts the aging analyses of outstanding balances that are required by law and are essential support for estimating collectability.

The City did not timely or effectively monitor data recorded into the subsidiary system or reports generated therefrom to ensure completeness, accuracy, or agreement to underlying records. Further, access to subsidiary computer system functions was not effectively restricted, and personnel duties were not adequately segregated to ensure that employees could not commit and conceal errors or irregularities. No procedures are routinely performed to monitor accuracy or completeness of cases initially recorded into the subsidiary records maintained in specialized application software or to reconcile or monitor recorded activity in those cases. The City did not prepare analyses or reconciliations of nonmonetary credits applied against fines for jail time served, community service, or house arrest, and other account adjustments were not monitored or reconciled.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-005 Municipal Court Fines (Cont.)

Cause - The City has not established appropriate procedures for accounting for Municipal Court fines in accordance with U.S. generally accepted accounting principles or to comply with Mississippi law. City personnel responsible for Municipal Court accounting and case management lack sufficient skill, knowledge, and expertise to administer the process and lack an understanding of basic requirements for accounting for Court fines in accordance with U.S. generally accepted accounting principles and Mississippi law.

The City has not established and enforced effective segregation of duties for case management processes, including limiting access to information technology system functions, and the current application software used for case management and accounting is not adequate to meet requirements of State law or to produce sufficient financial reports. The City did not prepare interim or annual reconciliations or analyses of Municipal Court fines receivable or related assessments payable, compare recorded fines to underlying Court documents, or maintain an effective audit trail of account adjustments for the year ended September 30, 2016.

Effect - The City's systems and procedures for accounting for Municipal Court fines do not achieve effective control over completeness, accuracy, or cut-off of recorded amounts and do not meet applicable requirements of State Law. Data deficiencies, system limitations, absence of effective procedures, and lack of effective oversight impede the City's ability to properly account for its fines revenues and assess collectability of its related receivable balances and State assessment obligations.

Identification of Repeat Finding 2015-005

Recommendation - The City should develop a comprehensive plan for addressing deficiencies in its Municipal Court accounting systems and procedures that allows for daily verification of case data entry and daily roll-forward of balances in fines and assessments. The City should also develop procedures to capture dates of legal attachment for all fines, as well as procedures to monitor that such data is timely and properly maintained. Additionally, the City should prepare, reconcile, review, and retain monthly case detail and summary reports, including account aging reports that are reported to appropriate City management for review and approval.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 101.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

<u>Finding:</u>

Finding # 2016-006 Water and Sewer Customer Accounts Receivable

Finding Type: Material weakness

Criteria - Internal accounting controls should be sufficient to ensure that recorded Water and Sewer System customer accounts receivable are complete, accurate, properly valued, and reported in the proper period.

Condition - The City's internal controls for recording and reconciling Water and Sewer customer account balances outstanding are not sufficient to ensure that account balances are accurate and does not allow for the proper evaluation of collectability. The City does not routinely perform reconciliations or analyses of customer receivable detail records. Additionally, aged receivable reports do not segregate finance charges from service fees, thereby distorting brackets and limiting effectiveness for monitoring propriety of service cut-off and assessing overall collectability. The City is also unable to produce reliable reports of subsequent collections on year-end outstanding balances for proper assessment of collectability and has no formal documentation of methodology or calculations supporting its estimated allowance for doubtful accounts.

Context - The City utilizes a separate module of its general ledger accounting software for its Water and Sewer billing functions that does not include an interface with the City's general ledger accounting system, and the City does not routinely review, reconcile, or analyze aggregate Water and Sewer customer account receivables.

Cause - While the City routinely processes and reviews billing route reports and reports of unpaid accounts subject to service cut-off, City procedures do not require periodic generation, reconciliation, and retention of detail accounts receivable and activity reports.

Effect - Without timely reconciliations and proper aging of its customer account balances and related activity, the City cannot readily determine net realizable value of outstanding Water and Sewer customer accounts receivable at fiscal year-end. This lack of timely review and reconciliation of subsidiary account balances could allow significant errors to go undetected.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-006 Water and Sewer Customer Accounts Receivable (Cont.)

Identification of Repeat Finding 2015-006

Recommendation - The City should implement procedures to routinely prepare and reconcile Water and Sewer customer accounts receivable activity and balances at each interim period, and a formal analysis of collectability of outstanding balances should be performed on at least an annual basis in order to estimate the related allowance for doubtful accounts.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 101.

Finding:

Finding # 2016-007 Water and Sewer Billings

Finding Type: Material weakness

Criteria - Effective internal accounting controls should ensure that recorded transactions pursuant to billings for all Water and Sewer services are complete and accurate.

Condition - The City's internal controls do not include analysis of accounting data in conjunction with the Water and Sewer volumes that are processed and billed. The City also does not formally document, reconcile, or monitor adjustments to customer billings to ensure propriety and accuracy.

Context - The City was unable to explain increases in unaccounted for water volume or to readily provide amounts attributable to usage by City facilities.

Cause - Certain City facilities are not metered for Water and Sewer volume, and no periodic review of volumes not billed, also known as "unaccounted for" volumes, is performed.

Effect - As a result of ineffective control procedures, there is a risk that the City could fail to detect Water and Sewer usage at unmetered locations or significant leaks in City infrastructure. Unmetered usage would not be routinely billed by the City, resulting in failure to realize related revenues.

Identification of Repeat Finding 2015-007

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-007 Water and Sewer Billings (Cont.)

Recommendation - We recommend that the City install meters at all City facilities to monitor Water and Sewer system internal usage. In addition, we recommend that the City generate periodic reports of volumes used in order to monitor economic resources and system usage to facilitate effective management of "unaccounted for" volumes.

Views of Responsible Officials - The City's Corrective Action Plan is presented on pages 101 – 102.

<u>Finding:</u>

Finding # 2016-008 Water and Sewer Customer Meter Deposits

Finding Type: Material Weakness

Criteria - Effective internal accounting controls should ensure that recorded liabilities for customer meter deposits accurately reflect detail balances and that activity in such accounts is properly recorded and reported.

Condition - The City's liability for customer meter deposits does not agree to its customer detail records, and no effective reconciliation has been performed. Additionally, meter deposits applied against customer account balances are not timely reconciled.

Context - The City does not routinely generate, reconcile, or review reports of Water & Sewer System customer meter deposit balances. Additionally, meter deposit rates vary by nature of customer and meter, and rates change from time to time pursuant to City Council action. However, the City has no effective procedures to ensure that amounts reflected in subsidiary account detail are reasonable.

Cause - The City's procedures for reviewing customer meter deposit balances are not adequate to ensure that recorded amounts are reasonable and consistent with established rates. In addition, reconciliations of balances and periodic activity are not routinely performed.

Effect - The City has been unable to ascertain the cumulative amount of unrecorded applied meter deposits or to identify the nature and amounts of other errors.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-008 Water and Sewer Customer Meter Deposits (Cont.)

Identification of Repeat Finding 2015-008

Recommendation - The City should perform a review of its subsidiary records of customer meter deposits, and any errors that are identified should be corrected. The City should also implement procedures to routinely prepare and reconcile customer meter deposit activity and balances.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 102.

<u>Finding:</u>

Finding # 2016-009 Capital Assets

Finding Type: Material weakness

Criteria - Internal controls over capital assets should be sufficient to ensure that assets are properly recorded, depreciated, assessed for impairment, and reported. Detail subsidiary ledgers should be reconciled on a timely basis, and disposals should be timely recognized and reported. Rights and obligations related to ownership and pledges of capital assets should also be properly reported.

Condition - The City's procedures and controls are not sufficient to ensure that all City-owned assets are properly recorded. Additionally, the City’s procedures related to construction projects are not sufficient to ensure that all project costs are identified and captured in the proper period.

Context - Existing accounting procedures do not ensure inclusion of contributed assets received or transfers of infrastructure from developers or other governmental entities, and the City does not routinely reconcile capital outlay expenditures to additions to fixed assets and additional inventoried items. The City does not routinely monitor assets acquired with grants or other restricted funds to ensure that any disposition of those assets is in accordance with terms of agreements and/or regulations and to ensure proper disclosure of commitments relating to those assets. Also, the City does not periodically assess its long-term assets for impairment nor does the City have an adequate system of accounting for its construction project activity.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings (Cont.)

Finding # 2016-009 Capital Assets (Cont.)

Cause - The City did not routinely and formally reconcile capital asset subsidiary detail to its financial statements, and the City does not maintain a comprehensive schedule of construction projects sufficient to support financial reporting.

Effect - The City's procedures are not adequate to ensure that capital outlay expenditures are reported in the proper period, properly classified as capital expenditure or expense, or that interest is properly capitalized for proprietary fund projects. Detail records are not timely reconciled to detect errors or irregularities, or to ensure that required disclosures are accurate and complete.

The City's deficiencies in procedures related to construction projects and capital assets indicate material weaknesses in internal controls over financial reporting.

Identification of Repeat Finding 2015-009

Recommendation - The City should take immediate steps to develop and implement a comprehensive system for accounting for capital assets, including construction projects. Subsidiary records should include adequate descriptions and should be periodically reviewed to identify any assets no longer in service or those with indicated impairment.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 102.

Section III - Federal Awards Findings and Questioned Costs

Finding:

Finding: # 2016-010 Procurement and Suspension and Debarment (I)

Finding Type: Material Weakness

Program Tested: CFDA No. 20.205: Highway Planning and Construction

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding: # 2016-010 Procurement and Suspension and Debarment (I) (Cont.)

Criteria - According to the Uniform Guidance, Section 200.212 of 2 CFR, Subpart C - Pre-Federal Award Requirements, non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition - The City does not have adequate internal control procedures in place to monitor compliance with the federal debarment and suspension regulations for contracts and subawards.

Questioned Costs - Undetermined

Effect - The City could contract with parties that have been debarred or suspended by the federal government.

Cause - The City has experienced substantial turnover of personnel assigned to perform these procedures and has not monitored compliance with these provisions.

Recommendation - The City should implement procedures to ensure compliance with the debarment and suspension regulations for contracts related to federal programs.

Views of responsible officials - The City's Corrective Action Plan is presented on page 103.

<u>Finding:</u>

Finding # 2016-011	Federal Expenditure Management (A/B, C, G, H, L)
Finding Type:	Material Weakness
Program Tested:	CFDA No. 20.205: Highway Planning and Construction

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2016-011 Federal Expenditure Management (A/B, C, G, H, L) (Cont.)

Criteria - Section 200.300 of 2 CFR, Subpart D - Post Federal Award Requirements, requires Federal costs to be identified in accordance with cost principles and grant requirements. Financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The financial management system must provide for identification of the Federal program, CFDA title and number, award identification number and year, name of the Federal agency and any pass-through entity, as well as accurate, current, and complete disclosure of financial results of each Federal award program. Records must adequately identify the source and application of funds for federally-funded activities and must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and such information must be supported by source documentation.

Condition - Federal and non-Federal expenditures were not readily identifiable from grant records maintained by the City for the year ended September 30, 2016. Costs allowable and not allowable are not specifically identified in financial records or reconciled to reimbursement requests. Category of cost, such as program delivery or administrative cost, is not initially captured upon recording expenditures in the City's financial records, and adjustments to classifications are not timely reconciled to underlying accounts or submitted reimbursement requests. Transaction dates are based on cash payment processing, and payment release dates and service periods for underlying costs are not readily determinable.

Questioned Costs - Undetermined

Context - The City utilizes fund accounts in its general ledger system to capture, maintain, and report activity related to its grant programs. The City also utilizes peripheral manual and electronic applications in its grant administration process. However, these procedures do not readily provide data necessary to distinguish Federal expenditures from non-Federal costs incurred. Total program cost is not segregated between allowable and unallowable costs, and expenditures of Federal funds are not segregated from costs funded by matching funds or other funds. Further, expenditures are captured solely on a cash basis, and dates of underlying activity are not contemporaneously captured to identify expenditure date for Federal purposes.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2016-011 Federal Expenditure Management (A/B, C, G, H, L) (Cont.)

Cause - The City's general ledger system structure lacks complexity necessary to capture all accounting data related to Federal program expenditures, and peripheral systems and procedures are not sufficient to readily fill the gap in that data so that all categories of costs of Federal programs may be readily identified and reported.

Effect - The City was unable to readily segregate Federal from non-Federal program expenditures or reconcile reimbursement requests to specific Federal expenditures.

Identification of Repeat Finding 2015-013

Recommendation - The City should immediately implement procedures to maintain comprehensive schedules of program expenditures that distinguish Federal and non-Federal expenditures and identify matching funds provided. Reconciliations of Federal expenditures to allowable costs and total program expenditures should be timely performed and monitored. Reimbursement requests should be reconciled to supporting schedules of Federal expenditures, and appropriate cut-off should be established for periodic reporting.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 103.

Finding:

Finding # 2016-012 Non-compliance resulting from deficiencies in financial statement internal control over timeliness of financial reporting (L)

Finding Type: Material Weakness

Program Tested: CFDA No. 20.205: Highway Planning and Construction

Criteria - According to the Uniform Guidance, 2 CFR 200.501(a), non-Federal entities that expend $750,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of these parts. Guidance on determining Federal awards expended is provided in §_.205 and 2 CFR 200.502. The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year - whichever comes first - pursuant to Uniform Guidance 2 CFR 200.512(a).

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2016-012 Non-compliance resulting from deficiencies in financial statement internal control over timeliness of financial reporting (L) (Cont.)

Condition - The City's audit package for the fiscal year ended September 30, 2016 was not timely submitted to the Federal Audit Clearinghouse.

Questioned Costs - Undetermined

Context - See Financial Statement Finding # 2016-003.

Cause - See Financial Statement Finding # 2016-003.

Effect - The City did not comply with Federal Single Audit requirements for timely submission of its audit package.

Identification of Repeat Finding 2015-015

Recommendation - See Financial Statement Finding # 2016-003.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 103.

<u>Finding:</u>

Finding # 2016-013 Non-compliance resulting from deficiencies in financial statement internal control over financial statement adjustment close, and disclosure (A/B, C, G, H, L)

Finding Type: Significant Deficiency/Significant Noncompliance

Program Tested: CFDA No. 20.205: Highway Planning and Construction

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2016-013 Non-compliance resulting from deficiencies in financial statement internal control over financial statement adjustment close, and disclosure (A/B, C, G, H, L) (Cont.)

Criteria - According to the Uniform Guidance, the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The auditee shall also maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs and prepare appropriate financial statements, including the schedule of expenditures of Federal awards. In addition, Title 2: Grants and Agreements, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements section 200.302(b), each non-Federal entity's financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the appropriate reporting requirements, including distinguishing allowable costs from costs not allowable, direct costs from indirect costs, and Federal expenditures from costs paid to meet match requirements or paid from other non-Federal funds.

Condition - The City did not contemporaneously distinguish allowable Federal program costs from ineligible costs, distinguish Federal expenditures from non-Federal expenditures, or specifically identify costs used to meet match and cost-sharing requirements. In addition, the City had no effective processes to ensure that direct and indirect costs were treated consistently among all Federal awards administered by various City departments.

Questioned Costs - Undetermined

Context - See Financial Statement Finding # 2016-004.

Cause - See Financial Statement Finding # 2016-004.

Effect - The City could not readily produce schedules of its Federal program costs, obligated funds, or funds receivable. Further, the City could not reconcile obligated, expended, received, and available Federal funds to its accounting records.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2016-013 Non-compliance resulting from deficiencies in financial statement internal control over financial statement adjustment close, and disclosure (A/B, C, G, H, L) (Cont.)

Identification of Repeat Finding 2015-016

Recommendation - See Financial Statement Finding # 2016-004.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 104.

Finding:

Finding 2016-014 Non-compliance resulting from deficiencies in financial statement internal control over capital assets (A/B, F)

Finding Type: Material Weakness

Program Tested: CFDA No. 20.205: Highway Planning and Construction

Criteria - Costs incurred for capital assets are subject to property standards prescribed in the Uniform Guidance 2 CFR, Subpart D - Post Federal Award Requirements.

Condition - The City does not adequately account for its capital projects funded by Federal awards. Project detail records do not adequately identify allowable and unallowable costs or matching fund obligations, and Federal and non-Federal expenditures are not effectively segregated or reconciled to reimbursement requests. The City does not effectively monitor its capital project cost reimbursement requests prepared by third party service providers or recalculate and reconcile Federal costs to those reimbursement requests. The City does not critically evaluate the terms of its Federal awards and agreements related to property ownership and reversionary provisions in order to assess its rights and obligations under such agreements and to ensure that capital assets and commitments are properly monitored.

In addition, the City could not readily provide a list of assets subject to reversionary provisions if not continually used for appropriate program purposes and therefore could not demonstrate effective monitoring of ongoing use of such Federally-funded assets.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding 2016-014 Non-compliance resulting from deficiencies in financial statement internal control over capital assets (A/B, F) (Cont.)

Questioned Costs - Undetermined

Context - See Financial Statement Finding # 2016-009.

Cause - See Financial Statement Finding # 2016-009.

Effect - The City may be subject to disallowed costs or obligations under reversionary provisions for assets acquired or constructed using Federal funds, and the amounts of potential disallowed costs could be material.

Identification of Repeat Finding 2015-017

Recommendation - See Financial Statement Finding # 2016-009.

Views of Responsible Officials - The City's Corrective Action Plan is presented on page 104.

CITY OF HATTIESBURG, MISSISSIPPI

AUDITEE CORRECTIVE ACTION PLAN

Year Ended September 30, 2016

Auditee Corrective Action Plan

The City of Hattiesburg respectfully submits the following corrective action plan

Audit Period: September 30, 2016

The findings discussed below are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Corrective Action Plan for Financial Statement Findings

2016-001 Entity-Level Control Environment and Risk Assessment Processes

The City's Administration acknowledges the importance of the control environment and, in particular, the organizational structure, with the assignment of authority and responsibility in addressing risks relevant to the achievement of financial reporting objectives. The incoming Administration has initiated an entity-wide assessment of the existing organizational structure, and establishment and monitoring of internal controls will be an inherent component of this assessment. We expect this process to be completed by late fall, 2018.

Name of Responsible Person:	Ann Jones, Chief Administrative Officer; Connie Everett, Interim Chief Financial Officer
Name of Department Contact:	Ann Jones, Chief Administrative Officer
Expected Date of Completion:	Fall 2018

2016-002 Entity-Level Information, Communication and Monitoring

Please note in the section "Views of Responsible Officials": The City agrees with this finding in general, but with certain qualifications.

As noted in Finding 2016-002, the City "utilizes a centralized system of accounting for its budgetary cash basis transactions." This accounting system has consistently allowed for the accurate and timely financial reports that provide, at all times, a reliable monitoring of the City's compliance with its legally adopted budgets. There will typically be significant conversion procedures at year-end that are necessary for financial reporting purposes, and this will, we believe, be the norm for most local governments as opposed to the periodic accounting cut-off data for conversion from budgetary cash basis to financial reporting basis.

Auditee Corrective Action Plan (Cont.)

The Administration's efforts to promptly assess the existing internal control structure will incorporate the identification of opportunities to improve upon the production of financial information pursuant to specific items noted in Finding 2016-002. Some Items, such as list of active Federal awards, will be implemented immediately. Other items, such as a list of debt compliance, have always been readily available.

Name of Responsible Person:	Connie Everett, Interim Chief Financial Officer
Name of Department contact:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2018

2016-003 Timeliness of Financial Reporting

As noted in the City's response to Finding 2016-002, the City's accounting system does provide reliable and timely budgetary basis financial reporting. The Administration is committed to facilitating procedures that will allow for the financial reporting accounting conversion process at year-end to be completed on a timely basis in order to allow for the City to meet all financial reporting deadlines.

The Administration acknowledges that there are important reporting deadlines for the 2017 audit that have already not been met. It is our firm commitment to complete the 2017 audit as quickly and efficiently as possible. The Administration will ascertain that the 2018 audit reporting process meets all applicable deadlines.

Name of Responsible Person:	Connie Everett, Interim Chief Financial Officer
Name of Department contact:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2018

2016-004 Financial Statement Adjustment, Close, and Disclosure

In 2017, the City's Comptroller was allowed to add a CPA to her existing staff. Finding 2016-004 emphasizes the “increasing complexity of financial reporting requirements", and it includes other notations that generally describe the difficulties encountered by the City in its financial accounting functions. Other points, including the need for a formal process for ensuring the accuracy and completeness of various peripheral systems and reconciliation procedures, are, in the opinion of the Administration, valid concerns.

As noted in our response to findings 2016-002 and 2016-003, the City will continue to produce reliable and timely budgetary basis accounting reports, and the Accounting Department will facilitate improved conversion procedures that are needed in order for the financial statements to be prepared in accordance with generally accepted accounting principles. We anticipate substantial improvements will be made in conjunction with the 2018 audit in the fall months of 2018.

Name of Responsible Person:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2018

Auditee Corrective Action Plan (Cont.)

2016-005 Municipal Court Fines

The Administration will assess the ongoing difficulties experienced pursuant to the court fines recordkeeping function. If the determination is made that additional training and/or independent Information Technology services are necessary, the City will immediately take corrective measures to allow for reliable financial statement reporting as well as compliance with applicable state law. This assessment began in August 2017 and is ongoing; other measures, if required, will be implemented in fall 2018.

Name of Responsible Person:	Ann Jones, Chief Administrative Officer
Name of Department Contact:	Ann Jones, Chief Administrative Officer; Greg Ladner, Assistant to Mayor
Estimated Date of Completion:	Will depend upon Information Technology assessment

2016-006 Water and Sewer Customer Accounts Receivable

The Administration will implement procedures to routinely prepare and reconcile Water and Sewer customer accounts receivable activity and balances periodically, along with a formal analysis of the collectability of outstanding balances in order to estimate the related allowances for doubtful accounts. The centralized accounting department does provide a daily tracking of recorded receipts in conjunction with the daily deposits at the bank, and this has provided a reliable internal control procedure. There may be a need, however, for the water and sewer billing office staff to assist in the maintenance of important subsidiary records that are subject to routine oversight by the accounting department.

Assessment of operations may reveal the need for additional training of personnel on accounting procedures, and the Information Technology staff may need to assist in facilitation of these shared responsibilities. Implementation began in fall 2017 and is ongoing.

Name of Responsible Person:	Allen Howe, Director of Water and Sewer
Name of Department Contact:	Wanda Turner, Office Manager
Estimated Date of Completion:	Fall 2018

2016-007 Water and Sewer Billings

The Administration will assess the current organizational structure as it relates to the water and sewer billing function. In particular, the Administration will emphasize the need for periodic analysis procedures to be performed. We have initiated our efforts to ascertain any problems that may need to be addressed in order to implement these reports and agree that an enhanced role by the Customer Accounts staff may be appropriate. These initial efforts were began in May 2018 and are ongoing.

Auditee Corrective Action Plan (Cont.)

Name of Responsible Person:	Allen Howe, Director of Water and Sewer
Name of Department Contact:	Wanda Turner, Office Manager
Estimated Date of Completion:	Fall 2018

2016-008 Water and Sewer Customer Meter Deposits

As noted in Finding 2016-007, the City will assess the current water and sewer organizational structure as a component of the Administration's entity-wide study of the existing assignment of responsibilities and personnel assessment. The improvements needed for meter deposit subsidiary records may require a reassignment of duties, improved reporting procedures and/or cross-training with existing accounting and Information Technology personnel. The importance of routine reconciliation procedures will be emphasized, and we anticipate these procedures to be implemented in fall 2018.

Name of Responsible Person:	Allen Howe, Director of Water and Sewer
Name of Department Contact:	Wanda Turner, Office Manager; Angie Sanford, Information Technology Manager
Estimated Date of Completion:	Fall 2018

2016-009 Capital Assets

The City will implement a comprehensive system of policies and procedures for accounting for capital assets. This system will accommodate both approved construction projects and acquisitions of assets achieved outside the routine cash disbursement process, as well as any contributions or transfers of fixed assets to the City. Additionally, fixed asset subsidiary records will include adequate descriptions to allow management to identify specific asset items, and the system will allow for periodic review by the City's management team for the identification of impaired assets or assets no longer in service. As noted, these procedures should allow for adequate training of employees for proper coding as well as ascertaining that capitalization policies and procedures are followed. The Administration will schedule capitalization policies and procedures training sessions for the various operating departments in fall 2018 to update responsible employees and answer any questions they may have.

Name of Responsible Person:	Connie Everett, Interim Chief Financial Officer; Ann Jones, Chief Administrative Officer
Name of Department Contact:	Lamar Rutland, Director of Engineering; Lisa Hanson, Comptroller
Estimated Date of Completion:	Fall 2018

Auditee Corrective Action Plan (Cont.)

2016-010 Procurement and Suspension and Debarment (I)
CFDA No. 20.205: Highway Planning and Construction

The City's Purchasing Department has the designated responsibility of monitoring compliance with the federal debarment and suspension regulations for contracts and subawards. Due to staffing changes over the past two years of department managers, as well as subordinate staff, this function was not assigned to a new staff person. This procedure should be conducted in the Purchasing Department, and current staff will be advised to reinstate this procedure.

Name of responsible person:	Connie Everett, Interim Chief Financial Officer
Name of department contacts:	Sylvester London, Assistant Division Manager and Michael Pope, Purchasing Assistant
Expected date of completion:	Fall 2018

2016-011 Federal Expenditure Management (A/B, C, G, H, L)
CFDA No. 20.205: Highway Planning and Construction

The City acknowledges that detailed information distinguishing federal and non-federal expenditures is not easily identified within the current accounting structure. The ability to track expenditures in this manner does exist and will be implemented in the current accounting system. Supporting spreadsheets can be developed within the departments responsible for documenting federal and non-federal expenditures to provide added documentation.

Name of Responsible Person:	Lamar Rutland, City Engineer
Expected Date of Completion:	Fall 2018

2016-012 Non-Compliance Resulting from Deficiencies in Financial Statement Internal Control over Timeliness of Financial Reporting (L)

The Administration acknowledges that there are important reporting deadlines for submission of completed audits to the Federal Audit Clearinghouse. The City's position concerning current financial statement reporting abilities has been addressed in the response to Finding 2016-002 and Finding 2016-003. It is the incoming Administration's intent to explore updating financial software in order to more easily comply with financial reporting requirements. In the interim, efforts will be made to facilitate expedited completion of the 2017 audit and timely completion of the 2018 audit.

Name of Responsible Persons:	Lisa Hanson, Comptroller; Connie Everett, Interim Chief Financial Officer
Name of Department Contact:	Ann Jones, Chief Administrative Officer
Expected Date of Completion:	Fall 2018 and ongoing

Auditee Corrective Action Plan (Cont.)

2016-013 Non-Compliance Resulting from Deficiencies in Financial Statement Internal Control Over Financial Statement Adjustment, Close, and Disclosure (A/B, C, G, H L)

As discussed in the City's response to Financial Statement Finding 2016-004, the City has added to its Accounting Department staff an individual who has the capability of undertaking the more complex aspects of financial statement reporting, in order to ensure compliance with guidelines. In addition, as stated above, the City intends to explore updating the financial software in order to more easily comply with financial reporting requirements. In the interim, supplementary schedules can be developed to better track federal program costs and funds received and expended.

Name of Responsible Person: Lisa Hanson, Comptroller
Expected Date of Completion: Fall 2018 and ongoing

2016-014 Non-Compliance Resulting From Deficiencies in Financial Statement Internal Control Over Capital Assets (A/B, F)

The City acknowledges that deficiencies exist in current procedure as to detailed accounting procedure for recording capital assets and accounting for federal grant monies associated with capital assets. The capability exists within the current accounting system for better segregation of federal and non-federal expenditures and allowable and unallowable costs. Supplementary schedules can be maintained in the City Engineer's office for projects that department oversees, in order to provide an additional level of detail and accountability.

Name of Responsible Persons: Lamar Rutland, City Engineer; Lisa Hanson, Comptroller; Connie Everett, Interim Chief Financial Officer
Name of Department Contact: Ann Jones, Chief Administrative Officer
Expected Date of Completion: Fall 2018 and ongoing

CITY OF HATTIESBURG, MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2016

Mayor

Toby Barker

COUNCIL - WARD ONE *Jeffrey George* | COUNCIL - WARD TWO *Deborah Denard Delgado* | COUNCIL - WARD THREE *Carter Carroll* | COUNCIL - WARD FOUR *Mary Dryden* | COUNCIL - WARD FIVE *Nicholas Brown*

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2016

The following is an update of the prior audit findings and is prepared in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

2015-001 Entity-Level Control Environment and Risk Assessment Process

Condition - This finding was a material weakness stating that entity-wide controls and procedures were not effectively initiated or implemented for corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2014.

Recommendation - The auditor recommended that the City take steps to implement corrective actions for identified material weaknesses and significant deficiencies in internal controls.

Current Status - Not corrected.

2015-002 Entity-Level Information, Communication and Monitoring

Condition - This finding was a material weakness stating that entity-wide controls and procedures did not effectively ensure that all information relevant to the financial reporting process was timely identified and communicated for assessment of financial reporting impact and for assimilation into the financial reporting process.

Recommendation - The auditor recommended that the City formalize its information, communications, and monitoring processes to ensure that data from external and internal sources is timely captured, retained, and available for financial reporting purposes. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-003 Timeliness of Financial Reporting

Condition - This finding was a material weakness stating the City failed to meet financial reporting deadlines for submitting its financial statements for the year ended September 30, 2015.

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

Recommendation - The auditor recommended that the City should take steps to overhaul its financial reporting process to enable it to meet its legal, regulatory, and contractual financial reporting requirements.

Current Status - Not corrected

2015-004 Financial statement Adjustment, Close, and Disclosure

Condition - This finding was a material weakness stating that the City's internal accounting controls were not sufficient to ensure that transactions and account balances were properly reported in conformity with bases of accounting required by generally accepted accounting principles .

Recommendation - The auditor recommended that the City assess the quality of existing peripheral processes and implement effective control procedures to ensure that data maintained therein is accurate and that errors or irregularities are prevented or timely detected and corrected. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-005 Municipal Court Fines

Condition - This finding was a material weakness stating that the City's internal controls are not adequate to ensure that Municipal Court fines are properly valued and reported.

Recommendation - The auditor recommended that the City generate, reconcile, review, and retain monthly receivable detail and summary reports, including agings of outstanding fines account balances and that the City analyze periodic reports and related trends in assessing collectability and in estimating the allowance for doubtful accounts. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-006 Water and Sewer Customer Accounts Receivable

Condition - This finding was a material weakness stating that the City's internal controls for recording and reconciling customer account balances outstanding are not sufficient to ensure that account balances are accurate and reflect valid amounts receivable and that collectability is properly evaluated.

Recommendation - The auditor recommended that the City develop and implement procedures to routinely prepare and reconcile Water and Sewer customer accounts receivable activity and balances at each interim period and that formal analysis of collectability of outstanding balances should be prepared to estimate the related allowance for doubtful accounts. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

2015-007 Water and Sewer Billings

Condition - This finding was a material weakness stating that the City's internal controls do not include analysis of accounting data in conjunction with underlying operations data for Water and Sewer volumes processed and billed, and that the City does not formally document, reconcile, and monitor adjustments to customer billings to ensure propriety and accuracy.

Recommendation - The auditor recommended that the City install meters at all City facilities to monitor volumes used and to generate periodic reports of City usage in order to monitor economic resources sand system usage to facilitate effective management of unaccounted for volumes.

Current Status - Not corrected.

2015-008 Water and Sewer Customer Meter Deposits

Condition - This finding was a material weakness stating that the City's liability for customer meter deposits does not agree to its customer detail records, and that meter deposits are not timely and effectively reconciled.

Recommendation - The auditor recommended that the City perform a review of its subsidiary records of customer meter deposits and perform timely reconciliations at interim periods.

Current Status - Not corrected.

2015-009 Capital assets

Condition - This finding was a material weakness stating that the City did not appropriately identify and accurately capture, maintain, and report activity and balances relating to capital assets.

Recommendation - The auditor recommended that the City implement policies and procedures to initially identify capital asset transactions, enhance detail data maintained, perform periodic reconciliations of detail, review propriety of account coding, and recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-010 Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Condition - This finding was a material weakness stating the City did not timely prepare a complete and accurate SEFA for the year ended September 30, 2015.

Recommendation - The auditor recommended that the City implement procedures to identify all federal awards and designate a responsible party for maintaining this schedule.

Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

Current Status - Corrected.

2015-011 Cash management

Program: CFDA No. 20.205: Highway Planning and Construction:
U.S. Department of Transportation Federal Highway Administration Pass-Through from Mississippi Department of Transportation

Condition - This finding was a material weakness stating that City procedures did not ensure that expenditures were paid by the City before cost reimbursements were requested.

Recommendation - The auditor recommended that the City implement policies and procedures to ensure that project costs are paid before related requests for reimbursement are submitted to its funding agency and that controls encompass related procedures performed by third-party consulting engineers. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Corrected.

2015-012 Subrecipient monitoring

Program: CFDA No. 14.218: CDGB Entitlement Grants - Cluster:
Community Development Block Grants/Entitlement Grants U.S. Housing & Urban Development Pass-through from Governor's Department of HUD assessment of long-term assets for impairment.

Condition - This finding was a significant deficiency stating that the City did not maintain an overall tracking and monitoring system that provided a single location for verifying and reviewing specified elements of its subrecipients' compliance with the requirements of the Single Audit Act of 1996 as contained in 0MB Circular A-133 and compliance with CDBG Guidebook for Grantees on Subrecipient Oversight.

Recommendation - The auditor recommended that the City implement an audit monitoring and tracking system to meet its requirements for subgrantee monitoring and review its existing policies and procedures to ensure that current compliance requirements are met. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

2015-013 Federal Expenditure Management (A/B, C, G, H, L)
CFDA No. 14.218: CDGB Entitlement Grants - Cluster:
Community Development Block Grants/Entitlement Grants U.S. Housing & Urban Development Pass-through from Governor's Department of HUD assessment of long-term assets for impairment

Condition - This finding was a material weakness stating that federal and non-federal expenditures were not readily identifiable from grant records maintained by the City for the year ended September 30, 2015.

Recommendation - The auditor recommended that the City should implement procedures to maintain comprehensive schedules of program expenditures that distinguish Federal and non-federal expenditures and identifying matching funds provided. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-014 Reporting (L)
CFDA No. 20.106 FAA Airport Improvement Plan:
U.S. Department of Transportation Federal Aviation Administration

Condition - This finding was a material weakness stating that the City did not file required annual Federal Financial Report forms SF-425 or alternately annual forms SF-271 Outlay Report and Request for Reimbursement for Construction Programs.

Recommendation - The auditor recommended that the City designate a responsible party to be in charge of maintaining compliance with federal reporting requirements. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-015 Non-compliance resulting from deficiencies in the financial statement internal control over timeliness of financial reporting (L)
CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
14.228 Katrina Community Revitalization – USA Yeast Wastewater Pretreatment
20.106 FAA Airport Improvement Plan
20.205 Highway Planning and Construction

Condition - This finding was a material weakness stating that the City did not timely submit the required annual reporting package to the Federal Audit Clearinghouse

Recommendation - The auditor recommended that the City implement procedures to overhaul the financial reporting process to enable it to meet its legal, regulatory and contractual financial reporting requirements. Management concurred with the recommendation and indicated that the procedures would be implemented.

Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

Current Status - Not corrected.

2015-016 Non-compliance resulting from deficiencies in financial statement internal control over financial statement adjustment, close and disclosure (A/B, C, G, H, L)

CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
20.106 FAA Airport Improvement Plan
20.205 Highway Planning and Construction

Condition - This finding was a material weakness for the CDBG and Airport Improvement projects and a significant deficiency for the Highway Planning and Construction project stating that the City did not distinguish allowable federal program costs from ineligible costs, distinguish federal expenditures from non-federal expenditures or specifically identify costs used to meet match and cost-sharing requirements.

Recommendation - The auditor recommended that the City implement procedures to address deficiencies in its financial statement adjustment, close and disclosure processes, specifically to address procedures related to the annual conversion process from budgetary cash basis accounting records to the bases of financial reporting required under U.S. GAAP. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

2015-017 Non-compliance resulting from deficiencies in financial statement internal control over capital assets (A/B, F)

CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
14.228 Katrina Community Revitalization – USA Yeast Wastewater Pretreatment
20.106 FAA Airport Improvement Plan
20.205 Highway Planning and Construction

Condition - This finding was a material weakness stating that the City did not adequately account for its capital projects funded by Federal awards and that project detail records do not adequately identify allowable and unallowable costs or matching funds.

Recommendation - The auditor recommended that the City implement procedures to develop and implement a comprehensive system for accounting for capital assets, including construction projects, that will incorporate policies and procedures for recording and valuing capital asset additions, with segregation for those purchased or constructed with federal funds. Management concurred with this recommendation and indicated that the procedures would be implemented.

Current Status - Not corrected.

Summary Schedule of Prior Audit Findings Year Ended September 30, 2016 (Cont.)

2015-018 Non-compliance resulting from deficiencies in financial statement internal control over preparation of Schedule of Expenditures of Federal Awards (SEFA) (A/B, C, G, H, L)

CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
20.106 FAA Airport Improvement Plan
20.205 Highway Planning and Construction

Condition - This finding was a material weakness stating that the City could not readily produce a schedule of expenditures of federal awards or reconcile federal costs to total costs of the related project or program.

Recommendation - The auditor recommended that the City implement procedures to identify all federal awards and designate a responsible party for maintaining this schedule. Management concurred with this recommendation and indicated that the procedures would be implemented.

Current Status - Corrected

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TMH
TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

Schedule 5

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

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

We have audited the basic financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2016, and have issued our report dated June 26, 2018. 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 Governmental 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 the objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed material instances of noncompliance with State laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1 - Fixed Asset Accounting

The City's procedures for determining the total acquisition cost of fixed assets and maintaining fixed asset detail did not comply with accounting system procedures prescribed by the Municipal Auditing and Accounting Guide.

Criteria, Context, and Condition

The property accounting system must follow prescribed procedures for recording acquisition cost of fixed assets, and certain professional fees, such as appraisal, architectural, engineering, and legal fees, should also be capitalized into fixed asset records. Additionally, the City's property accounting system must maintain the required fixed asset data elements as listed in the Municipal Auditing and Accounting Guide.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

Recommendation

The Administration should implement procedures to properly capture and maintain fixed asset detail, including the required data elements, in accordance with prescribed procedures.

Response

The City Administration agrees with this finding, and management is in the process of implementing a corrective action plan to address all fixed asset recordkeeping requirements.

Finding 2 - City Court Accounting Procedures

The City's accounting procedures for Municipal Court fines receivable are not in compliance with accounting system procedures prescribed by the State Auditor under Mississippi law. Noncompliance with prescribed Court accounting procedures is a recurring finding. See also related Findings 3 and 4.

Criteria, Context, and Condition

Pursuant to Mississippi Code Section 21-23-11 and the Municipal Auditing and Accounting Guide issued by the Office of the State Auditor. The City must maintain separate accounting records for the Municipal Court; the Court records must include an accounts receivable system that allows for balancing receivable accounts monthly, and periodic analysis of aging data. Relevant reports should be made to the judge and City Council as those parties may require. In addition, pursuant to Mississippi Code Section 99-19-73 and the Municipal Auditing and Accounting Guide, State-imposed Court assessments collected by the Municipal Court must be settled monthly with the Department of Finance and Administration.

Although the City routinely records fines by case and posts collections against those fines in a subsidiary ledger system, it was unable to generate an accurate summary or aging of outstanding accounts as of September 30, 2016 or during the year then ended. Further, the City did not provide related reports to the judge and City Council during the year ended September 30, 2016.

City procedures do not include reconciliation or roll-forward of gross case activity. In addition, subsidiary account records do not include complete information from which to generate reports of fines which have met criteria for accounting recognition. Further, subsidiary account records are not adequately controlled to ensure completeness, accuracy, and integrity of data. Allocation of cash collections among City fines and various State-imposed assessments is not verified for accuracy or reconciled to periodic changes in balances of underlying detail.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

The City undertook a project to assess deficiencies in its Court accounting and reporting system in order to develop a corrective action plan. However, development of an appropriate corrective action plan had not been completed as of the date of this report.

Recommendation

The Administration should immediately implement procedures to ensure completeness and integrity of Court data. The City should implement procedures to produce periodic detail reports of outstanding balances and case fine activity, as well as to timely reconcile related balances. Ongoing assessment of the adequacy of the case management software applications utilized by the Municipal Court should be completed, and the City's corrective action plan should address any noted accounting or reporting limitations. Use of peripheral applications and procedures should be commenced immediately to address and contain identified deficiencies in existing systems. Periodic reports should be made to the judge and the City Council and should include balances of outstanding fines, aging of outstanding accounts, and related roll-forwards and analyses of activity. Activity roll-forwards should include, at a minimum, beginning balances, new case dispositions, collections, nonmonetary credits, other adjustments, and ending balances. In addition, reports of corresponding assessments payable on fines should be periodically produced, reconciled, analyzed, and provided to the judge and the City Council.

Response

The City Administration agrees with this finding. As of July 2017, the newly elected Administration has undertaken the task of assessment of the Municipal Court operations. All aspects of operations will be assessed, from current software to personnel. If current software is deemed inadequate to satisfy the City's Court functions, as well as those required by State of Mississippi reporting, the City's Information Technology Department will assist Municipal Court personnel with reviewing and procuring new software. Additionally, personnel will be evaluated during this process to determine what training may be necessary to ensure optimal functioning of the department.

Finding 3 - Municipal Court Docket and Minutes

For the year ended September 30, 2016, the City did not maintain permanent dockets or minute records of Municipal Court actions as required by State law.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

Criteria, Context, and Condition

Mississippi Code Section 21-23-11 requires the clerk of the Municipal Court to keep permanent dockets of all cases, as well as a minute record of all orders and judgments. Pursuant to that Code section, one record may serve as both the docket record and the minute record. However, for the year ended September 30, 2016, the City did not maintain a permanent, unalterable docket of cases or minute record of Court actions on those cases. Instead, physical dockets used in Court were discarded upon data entry into application software. Internal controls over case entry and adjustment were not adequate to ensure completeness or accuracy of data. Further, since dockets and case activity maintained electronically could be subsequently altered, such records did not meet the standard of permanence required for dockets or provide a reliable minute record as required by Mississippi law.

Recommendation

The Administration should immediately implement procedures to retain physical Municipal Court dockets, upon the face of which all orders and judgments of the Court are entered, to serve as the combined permanent docket and minute record. Those permanent records should be reconciled periodically to case data recorded in subsidiary systems, and differences or exceptions should be timely investigated and resolved.

Response

The City Administration agrees with this finding, and management has developed a corrective action plan for addressing this issue. Initial phases of the corrective action plan, which ensure that all physical Court dockets are permanently retained, are being implemented. Additional phases for reconciling permanent docket detail to recorded case data are in the process of implementation and are expected be fully implemented by fall 2018. In addition, the City's Administration will be assessing current software to determine if conversion to a new system is warranted. The Information Technology Department will assist in assessment efforts to determine corrective measures necessary to address reporting deficiencies.

Finding 4 - Control over Police Tickets

For the year ended September 30, 2016, the City did not maintain effective control over issued and unissued Police ticket books in accordance with the Municipal Auditing and Accounting Guide.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

Criteria, Context, and Condition

Pursuant to Mississippi Code Section 63-9-21 and the Municipal Auditing and Accounting Guide require that the City must maintain certain records related to uniform traffic tickets used by police officers. The clerk of the Municipal Court is required to keep a record of all traffic ticket books issue, including to whom those books are issued, and is required to maintain and account for all such ticket books in accordance with prescribed procedures.

During the year ended September 30, 2016, the City did not maintain complete records of ticket books, issue them consecutively, or account for tickets issued and returned.

Recommendation

The City should immediately implement procedures to control issuance, recordkeeping, and monitoring of uniform traffic ticket books in accordance with procedures prescribed by State law and the Office of the State Auditor.

Response

The City Administration agrees with this finding and will be performing a full assessment of current software and department procedures to determine necessary changes. Implementation may necessitate additional training of personnel and/or procurement of new or additional software to implement a corrective action plan related to Municipal Court accounting records, which will incorporate procedures related to control over Police tickets.

Finding 5 - Vehicle Markings

During fiscal year 2016, not all City vehicles were appropriately marked pursuant to Mississippi Code of 1972, Annotated. Noncompliance with vehicle marking procedures is a recurring finding.

Criteria, Context, and Condition

Section 25-1-87, Mississippi Code of 1972, Annotated, requires that all municipal vehicles, except police vehicles used for undercover operation and authorized by governing authorities, be marked in accordance with specified standards regarding nature, size and color contrast.

Determination was made that not all City-owned vehicles have proper markings as required under State law.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

Recommendation

The City should take necessary steps to ensure that all of their vehicles have proper markings as required by law, and that the Administration assign responsibility for the continued compliance with these requirements to appropriate official(s).

Response

The City Administration agrees with this finding and has implemented procedures under which all purchased vehicles will be marked with standard signage applied by the Public Works department mechanical shop.

Finding 6 - Annual Inventory of Assets

The City did not conduct an annual inventory of its assets in accordance with the guidelines established by the Office of the State Auditor.

Criteria, Context, and Condition

The Municipal Audit and Accounting Guide published by the State of Mississippi Office of the State Auditor requires municipalities to conduct a "thorough inventory of all fixed assets" at the end of each fiscal year in order to verify the existence of all fixed assets. The Municipal Audit and Accounting Guide also prescribes inventory procedures to be followed, including the assignment of the general oversight of the inventory process to an appropriate municipal officer, the use of inventory forms and a tagging system, and the investigation of discrepancies and missing inventory tags.

Recommendation

The City should follow the specific instructions of the Municipal Audit and Accounting Guide in order to update the City inventory records. This process, as prescribed by the Office of the State Auditor, must be considered to be an important legal compliance procedure that must be performed at the end of each fiscal year.

Response

The City Administration agrees with this finding and has implemented procedures to update the City's detailed fixed asset inventory records. Additionally, the prescribed update of inventory records will be completed at the end of each fiscal year on a timely basis.

To the Honorable Mayor and City Council
City of Hattiesburg, Mississippi

Finding 7 - Municipal Compliance Questionnaire

The City did not complete the Municipal Compliance Questionnaire for fiscal year 2016 on a timely basis as prescribed by the Municipal Audit and Accounting Guide.

Criteria, Context, and Condition

The Municipal Audit and Accounting Guide published by the State of Mississippi Office of the State Auditor requires that the Municipal Compliance Questionnaire be completed at the end of the municipality's fiscal year and be entered onto the official minutes of the governing authorities at their next regular meeting. The City did not complete the fiscal year 2016 questionnaire in the manner prescribed in the Guide.

Recommendation

The City should complete the Municipal Compliance Questionnaire each year at its first regularly scheduled City Council meeting in October and the questionnaire should be recorded into the official minutes.

Response

The City Administration did prepare the fiscal year 2016 Municipal Compliance Questionnaire for inclusion into the official minutes in March 2018. The City will ascertain that future Municipal Compliance Questionnaires will be completed at the end of each fiscal year for inclusion in the minutes of the first scheduled October City Council meeting.

[See also Schedule 4 - Schedule of Findings and Questioned Costs.]

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 of Hattiesburg, Mississippi's management, Honorable Mayor and the City Council, 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.

Topp McWhorter Harvey, PLLC

Hattiesburg, Mississippi
June 26, 2018

City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Master

File Number: 2018-614

File ID:	2018-614	**Type:**	Regular Agenda Item	**Status:**	Agenda Ready
Version:	1	**Reference:**		**In Control:**	City Council
Requester:				**File Created:**	07/10/2018
Brief Title:	Authorize execution of contract for financial audit for fiscal year ended September 30, 2017			**Final Action:**	07/11/2018
				Minute Book Number:	MB 2018-173-174

Title: Authorize Council President to execute duplicate contract with Topp McWhorter Harvey PLLC to audit the financial statements of the City of Hattiesburg for the fiscal year ended September 30, 2017.

Notes:			
		Agenda Date:	07/11/2018
Indexes:		**Agenda Number:**	2.
Sponsors:		**Enactment Date:**	
Attachments:	Audit Engagement Letter FY 2017, Executed Audit Engagement Letter FY 2017 with Topp McWhorter Harvey PLLC	**Enactment Number:**	
Contact:		**Meeting Date:**	07/11/2018
Drafter:		**Effective Date:**	

History of Legislative File

Ver-sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council - Special Called Meeting	07/11/2018	Authorize				Pass

Action Text: A MOTION was made by Council Vice President Dryden and seconded by Council Member Delgado to Authorize Council President to execute duplicate contract with Topp McWhorter Harvey PLLC to audit the financial statements of the City of Hattiesburg for the fiscal year ended September 30, 2017.

There being no discussion, the Motion received the affirmative vote of the Council as follows:

Yeas: 5 - George, Delgado, Carroll, Dryden and Brown

Nays: 0

Yea: 5 Delgado
Carroll
Dryden
Brown
George

Text of Legislative File 2018-614

Title
Authorize Council President to execute duplicate contract with Topp McWhorter Harvey PLLC to audit the financial statements of the City of Hattiesburg for the fiscal year ended September 30, 2017.

Summary
Contract for audit of financial statements for fiscal year ended September 30, 2017

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TMH
TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
F 228.864.3850

July 11, 2018

To the City Council
Attention: Mr. Carter Carroll, President
City of Hattiesburg, Mississippi
Post Office Box 1898
Hattiesburg, Mississippi 39401

Dear Mr. Carroll:

You have requested that we audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements as listed in the table of contents.

In addition, we will audit the City of Hattiesburg's compliance over major federal award programs for the year ended September 30, 2017. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal award programs.

Accounting principles generally accepted in the United States of America provide for certain required supplementary information, such as management's discussion and analysis (MD&A) and budgetary comparison schedules, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis (MD&A)
- Budgetary Comparison Schedules for the General Fund and major Special Revenue Funds
- Schedule of City's Proportionate Share of the Net Pension Liability – PERS
- Schedule of City's Contributions – PERS
- Schedule of City's Liability for Other Post Employment Benefit Plans (OPEB)
- Schedule of City's Contributions for Other Post Employment Benefit Plans (OPEB)

Supplementary information other than RSI will accompany the City of Hattiesburg, Mississippi's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Schedule of Expenditures of Federal Awards
- Schedule of Surety Bonds for Municipal Officials
- Full Cost Accounting – Solid Waste Management Services
- Nonmajor and Agency Combining Fund Statements
- Budgetary Statement of Departmental Expenditures – General Fund

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Statistical Information necessary for the Comprehensive Annual Financial Report presentation

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and in accordance with any state or regulatory audit requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and in accordance with any state or regulatory audit requirements. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City of Hattiesburg, Mississippi's basic financial statements. Our report will be addressed to the City Council of the City of Hattiesburg, Mississippi. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the City of Hattiesburg, Mississippi's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. 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;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For the design, implementation, and maintenance of internal control over federal awards;
7. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
8. For identifying and ensuring that the entity complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
9. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;

11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide us with:
    a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
    b. Additional information that we may request from management for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
19. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
20. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

Engagement Administration, Fees and Timing

We expect to begin our audit on approximately July 12, 2018 and to issue our reports no later than November 15, 2018.

Paige M. Johnson, CPA, is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Topp McWhorter Harvey, PLLC's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered every two weeks and are payable upon presentation. We estimate that our fee for the audit of fiscal year 2017 will be One Hundred Ninety Thousand Dollars and No Cents ($190,000.00), plus report reproduction costs for all reports. You acknowledge that this range is not a limit to the total fees we may charge for our services, and that our fees may actually exceed that range. However, we will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. Whenever possible, we will attempt to use the City of Hattiesburg, Mississippi's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Other Matters

With respect to any nonattest services we perform, the City of Hattiesburg, Mississippi's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of Topp McWhorter Harvey, PLLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Office of the State Auditor and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Topp McWhorter Harvey, PLLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;

- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff. We believe this letter accurately summarizes the significant terms of our engagement as described in this letter.

Respectfully,

TOPP McWHORTER HARVEY, PLLC

Paige M. Johnson

Paige M. Johnson, CPA

****

RESPONSE:

This letter correctly sets forth our understanding.

City of Hattiesburg, Mississippi

Acknowledged and agreed on behalf of the City of Hattiesburg, Mississippi by:

______________________________ ______________________________

Officer Signature Title

____

Date

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
P. O. DRAWER 15099
HATTIESBURG, MS 39404-5099
T 601.264.3519
F 601.264.3642
TOLL-FREE 877.842.7137

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TMH
TOPP McWHORTER HARVEY PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tmhcpas.com

COLUMBIA
150 OLD HWY 98 EAST
P. O. BOX 609
COLUMBIA, MS 39429
T 601.736.3449
F 601.736.0501

GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228 864.1779
F 228 864.3850

July 11, 2018

To the City Council
Attention: Mr. Carter Carroll, President
City of Hattiesburg, Mississippi
Post Office Box 1898
Hattiesburg, Mississippi 39401

Dear Mr. Carroll:

You have requested that we audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements as listed in the table of contents.

In addition, we will audit the City of Hattiesburg's compliance over major federal award programs for the year ended September 30, 2017. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal award programs.

Accounting principles generally accepted in the United States of America provide for certain required supplementary information, such as management's discussion and analysis (MD&A) and budgetary comparison schedules, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis (MD&A)
- Budgetary Comparison Schedules for the General Fund and major Special Revenue Funds
- Schedule of City's Proportionate Share of the Net Pension Liability – PERS
- Schedule of City's Contributions – PERS
- Schedule of City's Liability for Other Post Employment Benefit Plans (OPEB)
- Schedule of City's Contributions for Other Post Employment Benefit Plans (OPEB)

Supplementary information other than RSI will accompany the City of Hattiesburg, Mississippi's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Schedule of Expenditures of Federal Awards
- Schedule of Surety Bonds for Municipal Officials
- Full Cost Accounting – Solid Waste Management Services
- Nonmajor and Agency Combining Fund Statements
- Budgetary Statement of Departmental Expenditures – General Fund

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Statistical Information necessary for the Comprehensive Annual Financial Report presentation

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and in accordance with any state or regulatory audit requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and in accordance with any state or regulatory audit requirements. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City of Hattiesburg, Mississippi's basic financial statements. Our report will be addressed to the City Council of the City of Hattiesburg, Mississippi. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the City of Hattiesburg, Mississippi's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. 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;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For the design, implementation, and maintenance of internal control over federal awards;
7. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
8. For identifying and ensuring that the entity complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
9. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;

11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide us with:
    a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
    b. Additional information that we may request from management for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
19. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
20. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

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You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;

- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff. We believe this letter accurately summarizes the significant terms of our engagement as described in this letter.

Respectfully,

TOPP McWHORTER HARVEY, PLLC

Paige M. Johnson

Paige M. Johnson, CPA

****

RESPONSE:

This letter correctly sets forth our understanding.

City of Hattiesburg, Mississippi

Acknowledged and agreed on behalf of the City of Hattiesburg, Mississippi by:

C Carroll

Officer Signature

President

Title

7/11/18

Date

106420.109

City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Master

File Number: 2018-617

File ID: 2018-617 **Type:** Regular Agenda Item **Status:** Agenda Ready

Version: 1 **Reference:** **In Control:** City Council

Requester: **File Created:** 07/11/2018

Brief Title: Authorize filing of Eminent Domain for property located off William Carey Parkway, for public purpose. **Final Action:** 07/11/2018

Minute Book Number: MB 2018-174

Title:

Authorize Jackson, Tullos & Rogers,PLLC, to file Eminent Domain on behalf of the City of Hattiesburg to acquire property located off William Carey Parkway, PArcel#2-038K-21-009.00,PPIN 27403, for public purpose.

Notes:

Agenda Date: 07/11/2018

Indexes: **Agenda Number:** 3.

Sponsors: **Enactment Date:**

Attachments: engagement letter, Executed - engagement letter **Enactment Number:**

Contact: **Meeting Date:**

Drafter: **Effective Date:**

History of Legislative File

Ver-sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council - Special Called Meeting	07/11/2018	Authorize				Pass

Action Text: A MOTION was made by Council Vice President Dryden and seconded by Council Member Brown to Authorize Jackson, Tullos & Rogers,PLLC, to file Eminent Domain on behalf of the City of Hattiesburg to acquire property located off William Carey Parkway, PArcel#2-038K-21-009.00,PPIN 27403, for public purpose.

There being no discussion, the Motion received the affirmative vote of the Council as follows:

Yeas: 5 - George, Delgado, Carroll, Dryden and Brown

Nays: 0

Yea: 5 Delgado
Carroll
Dryden
Brown
George

Text of Legislative File 2018-617

Title

Authorize Jackson, Tullos & Rogers,PLLC, to file Eminent Domain on behalf of the City of Hattiesburg to acquire property located off William Carey Parkway, PArcel#2-038K-21-009.00,PPIN 27403, for public purpose.

Summary

Authorize filing of Eminent Domain for public purposes.

Budget Information

Expenditure Type

Purchasing Item

Publication Information

JACKSON, TULLOS & ROGERS, PLLC
ATTORNEYS AT LAW
309 SOUTH 40TH AVENUE
HATTIESBURG, MISSISSIPPI 39402

ROBERT T. JACKSON, SR.
ROBERT T. JACKSON, JR.
JOSEPH R. TULLOS
G. NEIL ROGERS
ROBERT W. CLARK

MAILING ADDRESS:
P. O. BOX 15517
HATTIESBURG, MS 39404-5517

July 9, 2018

TELEPHONE: (601) 264-3309
FACSIMILE: (601) 264-6044
E-mail: jtullos@jacksonfirm.com

Via email to annjones@hattiesburgms.com
Ms. Ann Jones

Mr. Moran Pope, III

Re: Engagement of Jackson, Tullos & Rogers, PLLC, in connection with lawsuit regarding property of Ephesus Seventh Day Adventist Church, Hattiesburg, Mississippi

Dear Mr. Pope and Ms. Jones:

We appreciate being asked to represent the City of Hattiesburg in connection with the above referenced matter. The purpose of this letter is to set forth the role and responsibilities of our firm with respect to the above matter and to set forth the fee arrangement to which we have agreed.

We have agreed to represent you on the following terms:

1. General Description of Services. The general scope of the services to be rendered by our firm will be to represent you in the above-referenced property acquisition, up to and including commencement of eminent domain proceedings.

2. Attorneys' Fees. For this matter, our fees will be based on the time spent by the lawyers who work on this matter. Billing rates for our attorneys vary according to the experience of the individuals. Our current billing rates for those attorneys expected to work on your matter are $175 per hour for attorneys and $75 per hour for paralegals. We will send an invoice and accounting of lawyer time and expenses devoted to this matter after your matter is concluded.

3. Payment. You agree to pay all invoices within forty-five (45) days of receiving our statement. All payments should be made to our firm at the above address in Hattiesburg, Lamar County, Mississippi.

4. Termination. Either of us may terminate our representation at any time, with or without cause, by providing reasonable notification. Such termination will not affect your responsibility

for payment of statements for legal services rendered and out-of-pocket costs incurred before termination and in connection with an orderly transition of the matter.

5. Favorable Outcome Not Guaranteed. You understand and agree that we have made no representations, promises, or guarantee as to the outcome to the above-captioned matter other than to provide you with reasonable and necessary legal services.

6. Governing Law. The validity of this agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Mississippi, and the obligations of each of us hereunder are performable in Mississippi.

We are very pleased that you have asked us to assist you in this matter and look forward to working with you. We will appreciate you indicating your receipt of this letter and agreement to our representation as outlined herein by signing the acknowledgement below and returning this letter to us. An additional copy of this letter is enclosed for your files.

With best regards,

Sincerely yours,

JACKSON, TULLOS & ROGERS, PLLC

/s/ Joseph R. Tullos

Joseph R. Tullos

JRT/rmc

RECEIVED AND AGREED on this the ____ day of ___________, 2018.

____
By:
On behalf of the City of Hattiesburg, Mississippi

JACKSON, TULLOS & ROGERS, PLLC
ATTORNEYS AT LAW
309 SOUTH 40TH AVENUE
HATTIESBURG, MISSISSIPPI 39402

ROBERT T. JACKSON, SR.
ROBERT T. JACKSON, JR.
JOSEPH R. TULLOS
G. NEIL ROGERS
ROBERT W. CLARK

MAILING ADDRESS:
P. O. BOX 15517
HATTIESBURG, MS 39404-5517

July 9, 2018

TELEPHONE: (601) 264-3309
FACSIMILE: (601) 264-6044
E-mail: jtullos@jacksonfirm.com

Via email to annjones@hattiesburgms.com
Ms. Ann Jones

Mr. Moran Pope, III

Re: Engagement of Jackson, Tullos & Rogers, PLLC, in connection with lawsuit regarding property of Ephesus Seventh Day Adventist Church, Hattiesburg, Mississippi

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We appreciate being asked to represent the City of Hattiesburg in connection with the above referenced matter. The purpose of this letter is to set forth the role and responsibilities of our firm with respect to the above matter and to set forth the fee arrangement to which we have agreed.

We have agreed to represent you on the following terms:

1. General Description of Services. The general scope of the services to be rendered by our firm will be to represent you in the above-referenced property acquisition, up to and including commencement of eminent domain proceedings.

2. Attorneys' Fees. For this matter, our fees will be based on the time spent by the lawyers who work on this matter. Billing rates for our attorneys vary according to the experience of the individuals. Our current billing rates for those attorneys expected to work on your matter are $175 per hour for attorneys and $75 per hour for paralegals. We will send an invoice and accounting of lawyer time and expenses devoted to this matter after your matter is concluded.

3. Payment. You agree to pay all invoices within forty-five (45) days of receiving our statement. All payments should be made to our firm at the above address in Hattiesburg, Lamar County, Mississippi.

4. Termination. Either of us may terminate our representation at any time, with or without cause, by providing reasonable notification. Such termination will not affect your responsibility

for payment of statements for legal services rendered and out-of-pocket costs incurred before termination and in connection with an orderly transition of the matter.

5. Favorable Outcome Not Guaranteed. You understand and agree that we have made no representations, promises, or guarantee as to the outcome to the above-captioned matter other than to provide you with reasonable and necessary legal services.

6. Governing Law. The validity of this agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Mississippi, and the obligations of each of us hereunder are performable in Mississippi.

We are very pleased that you have asked us to assist you in this matter and look forward to working with you. We will appreciate you indicating your receipt of this letter and agreement to our representation as outlined herein by signing the acknowledgement below and returning this letter to us. An additional copy of this letter is enclosed for your files.

With best regards,

Sincerely yours,

JACKSON, TULLOS & ROGERS, PLLC

/s/ Joseph R. Tullos

Joseph R. Tullos

JRT/rmc

RECEIVED AND AGREED on this the 11th day of July, 2018.

By:
On behalf of the City of Hattiesburg, Mississippi

City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Master

File Number: 2018-616

File ID:	2018-616	**Type:**	Regular Agenda Item	**Status:**	Agenda Ready
Version:	1	**Reference:**		**In Control:**	City Council
Requester:				**File Created:**	07/11/2018
Brief Title:	Designating Laughs 4 Life as a city-approvd event to be held on 8/1/2018.			**Final Action:**	07/11/2018
				Minute Book Number:	MB 2018-174

Title:

Designate "Laughs 4 Life", to be held August 1, 2018, Downtown Hattiesburg as a city-approved event for the purposes described in Ordinance Number 3148.

Notes:

		Agenda Date:	07/11/2018
Indexes:		**Agenda Number:**	4.
Sponsors:		**Enactment Date:**	
Attachments:	Laughs 4 Life- Application, Ordinance 3148	**Enactment Number:**	
Contact:		**Meeting Date:**	
Drafter:		**Effective Date:**	

History of Legislative File

Ver-sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council - Special Called Meeting	07/11/2018	Designate				Pass

Action Text: A MOTION was made by Council President Dryden and seconded by Council Member Brown to Designate "Laughs 4 Life", to be held August 1, 2018, Downtown Hattiesburg as a city-approved event for the purposes described in Ordinance Number 3148.

There being no discussion, the Motion received the affirmative vote of the Council as follows:

Yeas: 5 - George, Delgado, Carroll, Dryden and Brown

Nays: 0

Yea: 5 Delgado
Carroll
Dryden
Brown
George

Text of Legislative File 2018-616

Title

Designate "Laughs 4 Life", to be held August 1, 2018, Downtown Hattiesburg as a city-approved event for the purposes described in Ordinance Number 3148.

Summary

Designating Laughs 4 Life as a city-approved event.

Budget Information

Expenditure Type

Purchasing Item

Publication Information

APPLICATION FOR PARADE PERMIT

CITY OF HATTIESBURG
HATTIESBURG POLICE DEPARTMENT

ALL PARADE/BLOCK PARTY PERMITS MUST BE FILED AT LEAST 30 DAYS PRIOR TO THE DATE OF THE PARADE/BLOCK PARTY

PARADE or BLOCK PARTY (circle one)

Purpose of PARADE or BLOCK PARTY (theme) LAUGHS 4 LIFE BLOCK PARTY

Date of event: 8/1/18 Day of the week WEDNESDAY

Assemble time: 4:00 PM begin time: 5:00 PM end time: 9:00 PM

Assemble location: FORREST ST. BETWEEN PINE ST & FRONT ST

End/Disassemble location: BLOCK PARTY - SAME AS ABOVE

Desired route to be traveled: Give beginning point, all streets to be traveled on, any stopping points and attach a map of the PARADE route. BLOCK PARTY - STREET CLOSURE ONLY REQUESTED ON FORREST ST BETWEEN FRONT ST. & PINE ST.

Number of persons expected in parade: 250

Number of vehicles expected in parade: Ø

Any special vehicles other than cars or pickups: Ø

Will all of the roadway be needed for this event: YES

Horses and other animals prohibited except for shelter animals up for adoption.

Will PARADE be crossing any railroad tracks: YES NO If yes then give location of crossing and the person you contacted with the railroad for any schedule conflict:
Location: _____
Contact person: _____ phone # _____

Sponsor must attach a copy of liability insurance coverage for this event.

Attached: YES NO

For BLOCK PARTY ONLY: Is alcohol going to be served or allowed: YES NO

If 'Yes' then permit must be attached from ABC giving permission and times for Alcohol consumption. Attached: YES NO

BAR TO BE PROVIDED BY HATTIESBURG CONVENTION COMMISSION

Person applying for this permit:
Name KENT OLIVER
Address 48 WATERFORD DR. 39402
Phone number 601-818-3003 2nd number 601-818-2409

ORGANIZATION/CLUB SPONSORING PARADE/BLOCK PARTY:
Name LAUGHS 4 LIFE
Address 48 WATERFORD DR.
Phone # 601-818-3003 or
President of Organization: KENT OLIVER phone# 601-818-3003
Vice-President CANDACE OLIVER phone# 601-818-2409

Name, address and phone number of at lease 3 parade marshals who will be assisting with this parade/block party:

1. JAMIE ARRINGTON 601-325-3663
2. JIM GREEN 601-520-1490
3. BRADY HAANES 601-818-5455

Parade official's signature _________ date 6/13/18

This permit is valid only for the date listed on the permit. Keep this application with you prior to the event and while the event is in progress.

OFFICIAL USE ONLY – DO NOT WRITE BELOW THIS LINE

Received by __________ Date turned in __________
Supervisor review: Name C K Johnson Title __________ Date __________

PERMIT: APPROVED __________ DENIED __________ Date __________

Reason for denial: __________

Granting authority:

Notary goes here

Anthony Parker, Chief of Police or designee

ORDINANCE NUMBER 3148

OF THE

CITY OF HATTIESBURG, MISSISSIPPI

AN ORDINANCE AMENDING ORDINANCE NO. 2103 ADOPTED 2-8-83, AMENDING THE REGULATIONS FOR POSSESSION OR CONSUMPTION OF ALCOHOLIC BEVERAGES, BEER OR LIGHT WINE IN CERTAIN PLACES AND CREATING EXCEPTIONS FOR SPECIAL EVENTS; AND ADDING CHAPTER 3-9

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF HATTIESBURG, MISSISSIPPI:

SECTION 1: That the purpose of this ordinance is to amend Chapter 3-7 of the Code of Ordinances, regulating the consumption of alcoholic beverages, beer or light wine in certain places; creating exceptions for special events; adding Chapter 3-9.

SECTION 2: That section 1 of Ordinance Number 2103 be and the same is hereby amended to read as follows:

"It shall be unlawful for any person, group association, or any and all legal entities recognized by law to possess or consume alcoholic beverages, beer or light wine, as defined by any statute of this state, in the city hall, municipal school buildings, stadiums, any public playgrounds, or public parks, or clubhouses situated therein, or any fire station, or on any and all other public grounds, buildings, parks and places owned, maintained or operated by the city; except, that this section shall not apply to any individuals, groups or associations utilizing any municipally owned building under a written lease or rental agreement granted by the city; and it shall be unlawful for any person to consume any alcoholic beverage, beer, or light wine on any public street, sidewalk or alley owned, maintained or operated by the city, except that it shall **not** be unlawful for any person to consume beer or light wine on streets in the downtown area that have been closed to vehicular traffic for special events that are sponsored or approved by the City of Hattiesburg; during said City-sponsored or approved events in the downtown area, no beer or light wine may be possessed in or consumed from glass containers."

SECTION 3: The sale and/or consumption of beer and light wine shall be allowed on public property and on streets in the downtown area that have been closed to vehicular traffic for special events that are sponsored or approved by the City of Hattiesburg; sale of beer and light wine shall be allowed by any downtown business that possesses a current permit for the sale of beer and light wine and that has obtained any additional permits required by the Mississippi Department of Revenue for such sales. During said City-sponsored or approved events in the downtown area, no beer or light wine may be consumed, or sold for possession in or consumption from, glass containers. To receive City approval, event sponsor(s) shall submit a request in writing, addressed to the Mayor and City Council, outlining the date, time, place and purpose of the event, at least four weeks in advance of the event or in time to be placed on the City Council agenda for action by the City. The downtown area is defined in the attached city map; location in the downtown area in no way implies or conveys automatic approval for an exception to the regulations for possession or consumption of alcoholic beverages, beer or light wine. Requests for events located outside the defined downtown area will be considered on a case-by-case basis.

SECTION 4. That except as hereby expressly changed and amended, Ordinance Number 2103, adopted February 8, 1983, shall be and does remain in full force and effect as adopted.

SECTION 5. This Ordinance shall take effect and be in force within the time and manner provided by law.

The foregoing Ordinance having been reduced to writing, the same was introduced by Council member Dryden seconded by Council member Naylor and was adopted by the following vote to wit:

YEAS: Bradley
Delgado
Dryden
Naylor

NAYS: None

ABSENT: Carroll

THE President thereby declared the motion carried and the foregoing Ordinance adopted and approved, this the 16th day of December A.D., 2014.

(S E A L)

ATTEST:

Debra K Bernardo

CLERK OF COUNCIL

ADOPTED:

K Bradley

PRESIDENT

THE above foregoing Ordinance having been submitted to and approved by the Mayor, this the 16th day of December, A.D., 2014.

ATTEST:

DEPUTY CITY CLERK

APPROVED:

MAYOR

City of Hattiesburg, MS

200 Forrest St.
P.O. Box 1898
Hattiesburg, MS 39401

Master

File Number: 2018-599

File ID: 2018-599 **Type:** Regular Agenda Item **Status:** Agenda Ready

Version: 1 **Reference:** **In Control:** City Council

Requester: Andrew Ellard **File Created:** 07/09/2018

Brief Title: 2017 Department of Justice Byrne Grant Award **Final Action:** 07/11/2018

Minute Book Number: MB 2018-174

Title:

Authorize the acceptance of the FY17 Edward Byrne Justice Assistance Grant (JAG) Pprogram Award from the US Department of Justice in the amount of $18,795 and authorize the Mayor to execute the same.

Notes:

Agenda Date: 07/11/2018

Indexes: **Agenda Number:** 5.

Sponsors: **Enactment Date:**

Attachments: 2017 Byrne Grant Award, Executed - 2017 Byrne Grant Award **Enactment Number:**

Contact: **Meeting Date:** 07/17/2018

Drafter: Andrew Ellard **Effective Date:**

History of Legislative File

Ver-sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council - Special Called Meeting	07/11/2018	Authorize				Pass

Action Text: A MOTION was made by Council Vice Dryden and seconded by Council Member Delgado to Authorize the acceptance of the FY17 Edward Byrne Justice Assistance Grant (JAG) Program Award from the US Department of Justice in the amount of $18,795 and authorize the Mayor to execute the same.

There being no discussion, the Motion received the affirmative vote of the Council as follows:

Yeas: 5 - George, Delgado, Carroll, Dryden and Brown

Nays: 0

Yea: 5 Delgado
Carroll
Dryden
Brown
George

Text of Legislative File 2018-599

Title

Authorize the acceptance of the FY17 Edward Byrne Justice Assistance Grant (JAG) Pprogram Award from the US Department of Justice in the amount of $18,795 and authorize the Mayor to execute the same.

Summary

2017 Department of Justice Byrne Grant Award

Budget Information

Expenditure Type

Purchasing Item

Publication Information

U.S. Department of Justice

Office of Justice Programs

Office of the Assistant Attorney General *Washington, D.C. 20531*

June 26, 2018

The Honorable Toby Barker
City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor Barker:

On behalf of Attorney General Jefferson Sessions III, it is my pleasure to inform you that the Office of Justice Programs has approved your application for funding under the FY 17 Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Local Solicitation in the amount of $18,795 for City of Hattiesburg.

Enclosed you will find the Grant Award and Special Conditions documents. This award is subject to all administrative and financial requirements, including the timely submission of all financial and programmatic reports, resolution of all interim audit findings, and the maintenance of a minimum level of cash-on-hand. Should you not adhere to these requirements, you will be in violation of the terms of this agreement and the award will be subject to termination for cause or other administrative action as appropriate.

If you have questions regarding this award, please contact:

- Program Questions, Linda L. Hill, Program Manager at (202) 353-9196; and

- Financial Questions, the Office of the Chief Financial Officer, Customer Service Center (CSC) at (800) 458-0786, or you may contact the CSC at ask.ocfo@usdoj.gov.

Congratulations, and we look forward to working with you.

Sincerely,

Alan R. Hanson

Alan R. Hanson
Principal Deputy Assistant Attorney General

Enclosures

OFFICE FOR CIVIL RIGHTS

Office of Justice Programs

U.S. Department of Justice

810 7th Street, NW
Washington, DC 20531

Tel: (202) 307-0690
TTY: (202) 307-2027
E-mail: askOCR@usdoj.gov
Website: www.ojp.usdoj.gov/ocr

June 26, 2018

The Honorable Toby Barker
City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor Barker:

Congratulations on your recent award. In establishing financial assistance programs, Congress linked the receipt of federal funding to compliance with federal civil rights laws. The Office for Civil Rights (OCR), Office of Justice Programs (OJP), U.S. Department of Justice (DOJ) is responsible for ensuring that recipients of financial assistance from the OJP, the Office of Community Oriented Policing Services (COPS), and the Office on Violence Against Women (OVW) comply with the applicable federal civil rights laws. We at the OCR are available to help you and your organization meet the civil rights requirements that come with DOJ funding.

Ensuring Access to Federally Assisted Programs

Federal laws that apply to recipients of financial assistance from the DOJ prohibit discrimination on the basis of race, color, national origin, religion, sex, or disability in funded programs or activities, not only in employment but also in the delivery of services or benefits. A federal law also prohibits recipients from discriminating on the basis of age in the delivery of services or benefits.

In March of 2013, President Obama signed the Violence Against Women Reauthorization Act of 2013. The statute amends the Violence Against Women Act of 1994 (VAWA) by including a nondiscrimination grant condition that prohibits discrimination based on actual or perceived race, color, national origin, religion, sex, disability, sexual orientation, or gender identity. The new nondiscrimination grant condition applies to certain programs funded after October 1, 2013. The OCR and the OVW have developed answers to some frequently asked questions about this provision to assist recipients of VAWA funds to understand their obligations. The Frequently Asked Questions are available at http://ojp.gov/about/ocr/vawafaqs.htm.

Enforcing Civil Rights Laws

All recipients of federal financial assistance, regardless of the particular funding source, the amount of the grant award, or the number of employees in the workforce, are subject to prohibitions against unlawful discrimination. Accordingly, the OCR investigates recipients that are the subject of discrimination complaints from both individuals and groups. In addition, based on regulatory criteria, the OCR selects a number of recipients each year for compliance reviews, audits that require recipients to submit data showing that they are providing services equitably to all segments of their service population and that their employment practices meet equal opportunity standards.

Providing Services to Limited English Proficiency (LEP) Individuals

In accordance with DOJ guidance pertaining to Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d, recipients of federal financial assistance must take reasonable steps to provide meaningful access to their programs and activities for persons with limited English proficiency (LEP). See U.S. Department of Justice, Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, 67 Fed. Reg. 41,455 (2002). For more information on the civil rights responsibilities that recipients have in providing language services to LEP individuals, please see the website http://www.lep.gov.

Ensuring Equal Treatment for Faith-Based Organizations

The DOJ regulation, Equal Treatment for Faith-Based Organizations, 28 C.F.R. pt. 38, requires State Administering Agencies (SAAs) to treat faith-based organizations the same as any other applicant or recipient. The regulation prohibits SAAs from making awards or grant administration decisions on the basis of an organization's religious character or affiliation, religious name, or the religious composition of its board of directors.

The regulation also prohibits faith-based organizations from using financial assistance from the DOJ to fund inherently (or explicitly) religious activities. While faith-based organizations can engage in non-funded inherently religious activities, they must hold them separately from the program funded by the DOJ, and recipients cannot compel beneficiaries to participate in them. The Equal Treatment Regulation also makes clear that organizations participating in programs funded by the DOJ are not permitted to discriminate in the provision of services on the basis of a beneficiary's religion. For more information on the regulation, please see the OCR's website at http://www.ojp.usdoj.gov/about/ocr/equal_fbo.htm.

SAAs and faith-based organizations should also note that the Omnibus Crime Control and Safe Streets Act (Safe Streets Act) of 1968, as amended, 42 U.S.C. § 3789d(c); the Victims of Crime Act of 1984, as amended, 42 U.S.C. § 10604(e); the Juvenile Justice and Delinquency Prevention Act of 1974, as amended, 42 U.S.C. § 5672(b); and VAWA, Pub. L. No. 113-4, sec. 3(b)(4), 127 Stat. 54, 61-62 (to be codified at 42 U.S.C. § 13925(b)(13)) contain prohibitions against discrimination on the basis of religion in employment. Despite these nondiscrimination provisions, the DOJ has concluded that it may construe the Religious Freedom Restoration Act (RFRA) on a case-by-case basis to permit some faith-based organizations to receive DOJ funds while taking into account religion when hiring staff, even if the statute that authorizes the funding program generally forbids recipients from considering religion in employment decisions.
Please consult with the OCR if you have any questions about the regulation or the application of RFRA to the statutes that prohibit discrimination in employment.

Using Arrest and Conviction Records in Making Employment Decisions

The OCR issued an advisory document for recipients on the proper use of arrest and conviction records in making hiring decisions. See Advisory for Recipients of Financial Assistance from the U.S. Department of Justice on the U.S. Equal Employment Opportunity Commission's Enforcement Guidance: Consideration of Arrest and Conviction Records in Employment Decisions Under Title VII of the Civil Rights Act of 1964 (June 2013), available at http://www.ojp.usdoj.gov//about/ocr/pdfs/UseofConviction_Advisory.pdf. Recipients should be mindful that the misuse of arrest or conviction records to screen either applicants for employment or employees for retention or promotion may have a disparate impact based on race or national origin, resulting in unlawful employment discrimination. In light of the Advisory, recipients should consult local counsel in reviewing their employment practices. If warranted, recipients should also incorporate an analysis of the use of arrest and conviction records in their Equal Employment Opportunity Plans (EEOPs) (see below).

Complying with the Safe Streets Act

An organization that is a recipient of financial assistance subject to the nondiscrimination provisions of the Safe Streets Act, must meet two obligations: (1) complying with the federal regulation pertaining to the development of an EEOP (see 28 C.F.R. pt. 42, subpt. E) and (2) submitting to the OCR findings of discrimination (see 28 C.F.R. §§ 42.204(c), .205(c)(5)).

Meeting the EEOP Requirement

If your organization has less than fifty employees or receives an award of less than $25,000 or is a nonprofit organization, a medical institution, an educational institution, or an Indian tribe, then it is exempt from the EEOP requirement. To claim the exemption, your organization must complete and submit Section A of the Certification Form, which is available online at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

If your organization is a government agency or private business and receives an award of $25,000 or more, but less than $500,000, and has fifty or more employees (counting both full- and part-time employees but excluding political appointees), then it has to prepare a Utilization Report (formerly called an EEOP Short Form), but it does not have to submit the report to the OCR for review. Instead, your organization has to maintain the Utilization Report on file and make it available for review on request. In addition, your organization has to complete Section B of the Certification Form and return it to the OCR. The Certification Form is available at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

If your organization is a government agency or private business and has received an award for $500,000 or more and has fifty or more employees (counting both full- and part-time employees but excluding political appointees), then it has to prepare a Utilization Report (formerly called an EEOP Short Form) and submit it to the OCR for review within sixty days from the date of this letter. For assistance in developing a Utilization Report, please consult the OCR's website at http://www.ojp.usdoj.gov/about/ocr/eeop.htm. In addition, your organization has to complete Section C of the Certification Form and return it to the OCR. The Certification Form is available at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

To comply with the EEOP requirements, you may request technical assistance from an EEOP specialist at the OCR by telephone at (202) 307-0690, by TTY at (202) 307-2027, or by e-mail at EEOsubmisson@usdoj.gov.

Meeting the Requirement to Submit Findings of Discrimination

If in the three years prior to the date of the grant award, your organization has received an adverse finding of discrimination based on race, color, national origin, religion, or sex, after a due-process hearing, from a state or federal court or from a state or federal administrative agency, your organization must send a copy of the finding to the OCR.

Ensuring the Compliance of Subrecipients

SAAs must have standard assurances to notify subrecipients of their civil rights obligations, written procedures to address discrimination complaints filed against subrecipients, methods to monitor subrecipients' compliance with civil rights requirements, and a program to train subrecipients on applicable civil rights laws. In addition, SAAs must submit to the OCR every three years written Methods of Administration (MOA) that summarize the policies and procedures that they have implemented to ensure the civil rights compliance of subrecipients. For more information on the MOA requirement, see http://www.ojp.usdoj.gov/funding/other_requirements.htm.

If the OCR can assist you in any way in fulfilling your organization's civil rights responsibilities as a recipient of federal financial assistance, please contact us.

Sincerely,

Michael L. Alston
Director

cc: Grant Manager
Financial Analyst

U.S. Department of Justice
Office of Justice Programs
Bureau of Justice Assistance

Grant

1. RECIPIENT NAME AND ADDRESS (Including Zip Code)

City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

4. AWARD NUMBER: 2017-DJ-BX-0158

5. PROJECT PERIOD: FROM 10/01/2016 TO 09/30/2020

BUDGET PERIOD: FROM 10/01/2016 TO 09/30/2020

6. AWARD DATE 06/26/2018

7. ACTION

Initial

2a. GRANTEE IRS/VENDOR NO.

646000432

8. SUPPLEMENT NUMBER

00

2b. GRANTEE DUNS NO.

079448130

9. PREVIOUS AWARD AMOUNT $ 0

3. PROJECT TITLE

JAG Grant Project 2017

10. AMOUNT OF THIS AWARD $ 18,795

11. TOTAL AWARD $ 18,795

12. SPECIAL CONDITIONS

THE ABOVE GRANT PROJECT IS APPROVED SUBJECT TO SUCH CONDITIONS OR LIMITATIONS AS ARE SET FORTH ON THE ATTACHED PAGE(S).

13. STATUTORY AUTHORITY FOR GRANT

This project is supported under FY17(BJA - JAG State and JAG Local) Title I of Pub. L. No. 90-351 (generally codified at 42 U.S.C. 3711 - 3797ff-5), including subpart 1 of part E (codified at 42 U.S.C. 3750 - 3758); see also 28 U.S.C. 530C(a).

14 . CATALOG OF DOMESTIC FEDERAL ASSISTANCE (CFDA Number)

16.738 - Edward Byrne Memorial Justice Assistance Grant Program

15. METHOD OF PAYMENT

GPRS

AGENCY APPROVAL

16. TYPED NAME AND TITLE OF APPROVING OFFICIAL

Alan R. Hanson

Principal Deputy Assistant Attorney General

17. SIGNATURE OF APPROVING OFFICIAL

Alan R. Hanson

GRANTEE ACCEPTANCE

18. TYPED NAME AND TITLE OF AUTHORIZED GRANTEE OFFICIAL

Toby Barker
Mayor

19. SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL

19A. DATE

AGENCY USE ONLY

20. ACCOUNTING CLASSIFICATION CODES

FISCAL YEAR	FUND CODE	BUD. ACT.	OFC.	DIV. REG.	SUB.	POMS	AMOUNT
X	B	DJ	80	00	00		18795

21. SDJUGT1388

PROJECT NUMBER 2017-DJ-BX-0158 AWARD DATE 06/26/2018

SPECIAL CONDITIONS

1. Requirements of the award; remedies for non-compliance or for materially false statements

   The conditions of this award are material requirements of the award. Compliance with any certifications or assurances submitted by or on behalf of the recipient that relate to conduct during the period of performance also is a material requirement of this award.

   Failure to comply with any one or more of these award requirements -- whether a condition set out in full below, a condition incorporated by reference below, or a certification or assurance related to conduct during the award period -- may result in the Office of Justice Programs ("OJP") taking appropriate action with respect to the recipient and the award. Among other things, the OJP may withhold award funds, disallow costs, or suspend or terminate the award. The Department of Justice ("DOJ"), including OJP, also may take other legal action as appropriate.

   Any materially false, fictitious, or fraudulent statement to the federal government related to this award (or concealment or omission of a material fact) may be the subject of criminal prosecution (including under 18 U.S.C. 1001 and/or 1621, and/or 42 U.S.C. 3795a), and also may lead to imposition of civil penalties and administrative remedies for false claims or otherwise (including under 31 U.S.C. 3729-3730 and 3801-3812).

   Should any provision of a requirement of this award be held to be invalid or unenforceable by its terms, that provision shall first be applied with a limited construction so as to give it the maximum effect permitted by law. Should it be held, instead, that the provision is utterly invalid or -unenforceable, such provision shall be deemed severable from this award.

2. Applicability of Part 200 Uniform Requirements

   The Uniform Administrative Requirements, Cost Principles, and Audit Requirements in 2 C.F.R. Part 200, as adopted and supplemented by DOJ in 2 C.F.R. Part 2800 (together, the "Part 200 Uniform Requirements") apply to this FY 2017 award from OJP.

   The Part 200 Uniform Requirements were first adopted by DOJ on December 26, 2014. If this FY 2017 award supplements funds previously awarded by OJP under the same award number (e.g., funds awarded during or before December 2014), the Part 200 Uniform Requirements apply with respect to all funds under that award number (regardless of the award date, and regardless of whether derived from the initial award or a supplemental award) that are obligated on or after the acceptance date of this FY 2017 award.

   For more information and resources on the Part 200 Uniform Requirements as they relate to OJP awards and subawards ("subgrants"), see the OJP website at https://ojp.gov/funding/Part200UniformRequirements.htm.

   In the event that an award-related question arises from documents or other materials prepared or distributed by OJP that may appear to conflict with, or differ in some way from, the provisions of the Part 200 Uniform Requirements, the recipient is to contact OJP promptly for clarification.

3. Compliance with DOJ Grants Financial Guide

   The recipient agrees to comply with the DOJ Grants Financial Guide as posted on the OJP website (currently, the "2015 DOJ Grants Financial Guide" available at https://ojp.gov/financialguide/DOJ/index.htm), including any updated version that may be posted during the period of performance.

PROJECT NUMBER 2017-DJ-BX-0158 AWARD DATE 06/26/2018

SPECIAL CONDITIONS

4. Required training for Point of Contact and all Financial Points of Contact

   Both the Point of Contact (POC) and all Financial Points of Contact (FPOCs) for this award must have successfully completed an "OJP financial management and grant administration training" by 120 days after the date of the recipient's acceptance of the award. Successful completion of such a training on or after January 1, 2015, will satisfy this condition.

   In the event that either the POC or an FPOC for this award changes during the period of performance, the new POC or FPOC must have successfully completed an "OJP financial management and grant administration training" by 120 calendar days after-- (1) the date of OJP's approval of the "Change Grantee Contact" GAN (in the case of a new POC), or (2) the date the POC enters information on the new FPOC in GMS (in the case of a new FPOC). Successful completion of such a training on or after January 1, 2015, will satisfy this condition.

   A list of OJP trainings that OJP will consider "OJP financial management and grant administration training" for purposes of this condition is available at https://www.ojp.gov/training/fmts.htm. All trainings that satisfy this condition include a session on grant fraud prevention and detection.

   The recipient should anticipate that OJP will immediately withhold ("freeze") award funds if the recipient fails to comply with this condition. The recipient's failure to comply also may lead OJP to impose additional appropriate conditions on this award.

5. Requirements related to "de minimis" indirect cost rate

   A recipient that is eligible under the Part 200 Uniform Requirements and other applicable law to use the "de minimis" indirect cost rate described in 2 C.F.R. 200.414(f), and that elects to use the "de minimis" indirect cost rate, must advise OJP in writing of both its eligibility and its election, and must comply with all associated requirements in the Part 200 Uniform Requirements. The "de minimis" rate may be applied only to modified total direct costs (MTDC) as defined by the Part 200 Uniform Requirements.

6. Requirement to report potentially duplicative funding

   If the recipient currently has other active awards of federal funds, or if the recipient receives any other award of federal funds during the period of performance for this award, the recipient promptly must determine whether funds from any of those other federal awards have been, are being, or are to be used (in whole or in part) for one or more of the identical cost items for which funds are provided under this award. If so, the recipient must promptly notify the DOJ awarding agency (OJP or OVW, as appropriate) in writing of the potential duplication, and, if so requested by the DOJ awarding agency, must seek a budget-modification or change-of-project-scope grant adjustment notice (GAN) to eliminate any inappropriate duplication of funding.

SPECIAL CONDITIONS

7. Requirements related to System for Award Management and Universal Identifier Requirements

The recipient must comply with applicable requirements regarding the System for Award Management (SAM), currently accessible at https://www.sam.gov/. This includes applicable requirements regarding registration with SAM, as well as maintaining the currency of information in SAM.

The recipient also must comply with applicable restrictions on subawards ("subgrants") to first-tier subrecipients (first-tier "subgrantees"), including restrictions on subawards to entities that do not acquire and provide (to the recipient) the unique entity identifier required for SAM registration.

The details of the recipient's obligations related to SAM and to unique entity identifiers are posted on the OJP web site at https://ojp.gov/funding/Explore/SAM.htm (Award condition: System for Award Management (SAM) and Universal Identifier Requirements), and are incorporated by reference here.

This condition does not apply to an award to an individual who received the award as a natural person (i.e., unrelated to any business or non-profit organization that he or she may own or operate in his or her name).

8. All subawards ("subgrants") must have specific federal authorization

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements for authorization of any subaward. This condition applies to agreements that -- for purposes of federal grants administrative requirements -- OJP considers a "subaward" (and therefore does not consider a procurement "contract").

The details of the requirement for authorization of any subaward are posted on the OJP web site at https://ojp.gov/funding/Explore/SubawardAuthorization.htm (Award condition: All subawards ("subgrants") must have specific federal authorization), and are incorporated by reference here.

9. Specific post-award approval required to use a noncompetitive approach in any procurement contract that would exceed $150,000

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements to obtain specific advance approval to use a noncompetitive approach in any procurement contract that would exceed the Simplified Acquisition Threshold (currently, $150,000). This condition applies to agreements that -- for purposes of federal grants administrative requirements -- OJP considers a procurement "contract" (and therefore does not consider a subaward).

The details of the requirement for advance approval to use a noncompetitive approach in a procurement contract under an OJP award are posted on the OJP web site at https://ojp.gov/funding/Explore/NoncompetitiveProcurement.htm (Award condition: Specific post-award approval required to use a noncompetitive approach in a procurement contract (if contract would exceed $150,000)), and are incorporated by reference here.

SPECIAL CONDITIONS

10. Requirements pertaining to prohibited conduct related to trafficking in persons (including reporting requirements and OJP authority to terminate award)

    The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements (including requirements to report allegations) pertaining to prohibited conduct related to the trafficking of persons, whether on the part of recipients, subrecipients ("subgrantees"), or individuals defined (for purposes of this condition) as "employees" of the recipient or of any subrecipient.

    The details of the recipient's obligations related to prohibited conduct related to trafficking in persons are posted on the OJP web site at https://ojp.gov/funding/Explore/ProhibitedConduct-Trafficking.htm (Award condition: Prohibited conduct by recipients and subrecipients related to trafficking in persons (including reporting requirements and OJP authority to terminate award)), and are incorporated by reference here.

11. Compliance with applicable rules regarding approval, planning, and reporting of conferences, meetings, trainings, and other events

    The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable laws, regulations, policies, and official DOJ guidance (including specific cost limits, prior approval and reporting requirements, where applicable) governing the use of federal funds for expenses related to conferences (as that term is defined by DOJ), including the provision of food and/or beverages at such conferences, and costs of attendance at such conferences.

    Information on the pertinent DOJ definition of conferences and the rules applicable to this award appears in the DOJ Grants Financial Guide (currently, as section 3.10 of "Postaward Requirements" in the "2015 DOJ Grants Financial Guide").

12. Requirement for data on performance and effectiveness under the award

    The recipient must collect and maintain data that measure the performance and effectiveness of work under this award. The data must be provided to OJP in the manner (including within the timeframes) specified by OJP in the program solicitation or other applicable written guidance. Data collection supports compliance with the Government Performance and Results Act (GPRA) and the GPRA Modernization Act of 2010, and other applicable laws.

13. OJP Training Guiding Principles

    Any training or training materials that the recipient -- or any subrecipient ("subgrantee") at any tier -- develops or delivers with OJP award funds must adhere to the OJP Training Guiding Principles for Grantees and Subgrantees, available at https://ojp.gov/funding/ojptrainingguidingprinciples.htm.

14. Effect of failure to address audit issues

    The recipient understands and agrees that the DOJ awarding agency (OJP or OVW, as appropriate) may withhold award funds, or may impose other related requirements, if (as determined by the DOJ awarding agency) the recipient does not satisfactorily and promptly address outstanding issues from audits required by the Part 200 Uniform Requirements (or by the terms of this award), or other outstanding issues that arise in connection with audits, investigations, or reviews of DOJ awards.

15. Potential imposition of additional requirements

    The recipient agrees to comply with any additional requirements that may be imposed by the DOJ awarding agency (OJP or OVW, as appropriate) during the period of performance for this award, if the recipient is designated as "high-risk" for purposes of the DOJ high-risk grantee list.

SPECIAL CONDITIONS

16. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 42

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 42, specifically including any applicable requirements in Subpart E of 28 C.F.R. Part 42 that relate to an equal employment opportunity program.

17. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 54

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 54, which relates to nondiscrimination on the basis of sex in certain "education programs."

18. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 38

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 38, specifically including any applicable requirements regarding written notice to program beneficiaries and prospective program beneficiaries. Part 38 of 28 C.F.R., a DOJ regulation, was amended effective May 4, 2016.

Among other things, 28 C.F.R. Part 38 includes rules that prohibit specific forms of discrimination on the basis of religion, a religious belief, a refusal to hold a religious belief, or refusal to attend or participate in a religious practice. Part 38 also sets out rules and requirements that pertain to recipient and subrecipient ("subgrantee") organizations that engage in or conduct explicitly religious activities, as well as rules and requirements that pertain to recipients and subrecipients that are faith-based or religious organizations.

The text of the regulation, now entitled "Partnerships with Faith-Based and Other Neighborhood Organizations," is available via the Electronic Code of Federal Regulations (currently accessible at https://www.ecfr.gov/cgi-bin/ECFR?page=browse), by browsing to Title 28-Judicial Administration, Chapter 1, Part 38, under e-CFR "current" data.

19. Restrictions on "lobbying"

In general, as a matter of federal law, federal funds awarded by OJP may not be used by the recipient, or any subrecipient ("subgrantee") at any tier, either directly or indirectly, to support or oppose the enactment, repeal, modification, or adoption of any law, regulation, or policy, at any level of government. See 18 U.S.C. 1913. (There may be exceptions if an applicable federal statute specifically authorizes certain activities that otherwise would be barred by law.)

Another federal law generally prohibits federal funds awarded by OJP from being used by the recipient, or any subrecipient at any tier, to pay any person to influence (or attempt to influence) a federal agency, a Member of Congress, or Congress (or an official or employee of any of them) with respect to the awarding of a federal grant or cooperative agreement, subgrant, contract, subcontract, or loan, or with respect to actions such as renewing, extending, or modifying any such award. See 31 U.S.C. 1352. Certain exceptions to this law apply, including an exception that applies to Indian tribes and tribal organizations.

Should any question arise as to whether a particular use of federal funds by a recipient (or subrecipient) would or might fall within the scope of these prohibitions, the recipient is to contact OJP for guidance, and may not proceed without the express prior written approval of OJP.

SPECIAL CONDITIONS

20. Compliance with general appropriations-law restrictions on the use of federal funds (FY 2017)

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable restrictions on the use of federal funds set out in federal appropriations statutes. Pertinent restrictions, including from various "general provisions" in the Consolidated Appropriations Act, 2017, are set out at https://ojp.gov/funding/Explore/FY17AppropriationsRestrictions.htm, and are incorporated by reference here.

Should a question arise as to whether a particular use of federal funds by a recipient (or a subrecipient) would or might fall within the scope of an appropriations-law restriction, the recipient is to contact OJP for guidance, and may not proceed without the express prior written approval of OJP.

21. Reporting potential fraud, waste, and abuse, and similar misconduct

The recipient, and any subrecipients ("subgrantees") at any tier, must promptly refer to the DOJ Office of the Inspector General (OIG) any credible evidence that a principal, employee, agent, subrecipient, contractor, subcontractor, or other person has, in connection with funds under this award-- (1) submitted a claim that violates the False Claims Act; or (2) committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct.

Potential fraud, waste, abuse, or misconduct involving or relating to funds under this award should be reported to the OIG by-- (1) mail directed to: Office of the Inspector General, U.S. Department of Justice, Investigations Division, 950 Pennsylvania Avenue, N.W. Room 4706, Washington, DC 20530; (2) e-mail to: oig.hotline@usdoj.gov; and/or (3) the DOJ OIG hotline: (contact information in English and Spanish) at (800) 869-4499 (phone) or (202) 616-9881 (fax).

Additional information is available from the DOJ OIG website at https://www.usdoj.gov/oig.

SPECIAL CONDITIONS

22. Restrictions and certifications regarding non-disclosure agreements and related matters

No recipient or subrecipient ("subgrantee") under this award, or entity that receives a procurement contract or subcontract with any funds under this award, may require any employee or contractor to sign an internal confidentiality agreement or statement that prohibits or otherwise restricts, or purports to prohibit or restrict, the reporting (in accordance with law) of waste, fraud, or abuse to an investigative or law enforcement representative of a federal department or agency authorized to receive such information.

The foregoing is not intended, and shall not be understood by the agency making this award, to contravene requirements applicable to Standard Form 312 (which relates to classified information), Form 4414 (which relates to sensitive compartmented information), or any other form issued by a federal department or agency governing the nondisclosure of classified information.

1. In accepting this award, the recipient--

a. represents that it neither requires nor has required internal confidentiality agreements or statements from employees or contractors that currently prohibit or otherwise currently restrict (or purport to prohibit or restrict) employees or contractors from reporting waste, fraud, or abuse as described above; and

b. certifies that, if it learns or is notified that it is or has been requiring its employees or contractors to execute agreements or statements that prohibit or otherwise restrict (or purport to prohibit or restrict), reporting of waste, fraud, or abuse as described above, it will immediately stop any further obligations of award funds, will provide prompt written notification to the federal agency making this award, and will resume (or permit resumption of) such obligations only if expressly authorized to do so by that agency.

2. If the recipient does or is authorized under this award to make subawards ("subgrants"), procurement contracts, or both--

a. it represents that--

(1) it has determined that no other entity that the recipient's application proposes may or will receive award funds (whether through a subaward ("subgrant"), procurement contract, or subcontract under a procurement contract) either requires or has required internal confidentiality agreements or statements from employees or contractors that currently prohibit or otherwise currently restrict (or purport to prohibit or restrict) employees or contractors from reporting waste, fraud, or abuse as described above; and

(2) it has made appropriate inquiry, or otherwise has an adequate factual basis, to support this representation; and

b. it certifies that, if it learns or is notified that any subrecipient, contractor, or subcontractor entity that receives funds under this award is or has been requiring its employees or contractors to execute agreements or statements that prohibit or otherwise restrict (or purport to prohibit or restrict), reporting of waste, fraud, or abuse as described above, it will immediately stop any further obligations of award funds to or by that entity, will provide prompt written notification to the federal agency making this award, and will resume (or permit resumption of) such obligations only if expressly authorized to do so by that agency.

SPECIAL CONDITIONS

23. Compliance with 41 U.S.C. 4712 (including prohibitions on reprisal; notice to employees)

The recipient (and any subrecipient at any tier) must comply with, and is subject to, all applicable provisions of 41 U.S.C. 4712, including all applicable provisions that prohibit, under specified circumstances, discrimination against an employee as reprisal for the employee's disclosure of information related to gross mismanagement of a federal grant, a gross waste of federal funds, an abuse of authority relating to a federal grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal grant.

The recipient also must inform its employees, in writing (and in the predominant native language of the workforce), of employee rights and remedies under 41 U.S.C. 4712.

Should a question arise as to the applicability of the provisions of 41 U.S.C. 4712 to this award, the recipient is to contact the DOJ awarding agency (OJP or OVW, as appropriate) for guidance.

24. Encouragement of policies to ban text messaging while driving

Pursuant to Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving," 74 Fed. Reg. 51225 (October 1, 2009), DOJ encourages recipients and subrecipients ("subgrantees") to adopt and enforce policies banning employees from text messaging while driving any vehicle during the course of performing work funded by this award, and to establish workplace safety policies and conduct education, awareness, and other outreach to decrease crashes caused by distracted drivers.

25. Cooperating with OJP Monitoring

The recipient agrees to cooperate with OJP monitoring of this award pursuant to OJP's guidelines, protocols, and procedures, and to cooperate with OJP (including the grant manager for this award and the Office of Chief Financial Officer (OCFO)) requests related to such monitoring, including requests related to desk reviews and/or site visits. The recipient agrees to provide to OJP all documentation necessary for OJP to complete its monitoring tasks, including documentation related to any subawards made under this award. Further, the recipient agrees to abide by reasonable deadlines set by OJP for providing the requested documents. Failure to cooperate with OJP's monitoring activities may result in actions that affect the recipient's DOJ awards, including, but not limited to: withholdings and/or other restrictions on the recipient's access to award funds; referral to the DOJ OIG for audit review; designation of the recipient as a DOJ High Risk grantee; or termination of an award(s).

26. FFATA reporting: Subawards and executive compensation

The recipient must comply with applicable requirements to report first-tier subawards ("subgrants") of $25,000 or more and, in certain circumstances, to report the names and total compensation of the five most highly compensated executives of the recipient and first-tier subrecipients (first-tier "subgrantees") of award funds. The details of recipient obligations, which derive from the Federal Funding Accountability and Transparency Act of 2006 (FFATA), are posted on the OJP web site at https://ojp.gov/funding/Explore/FFATA.htm (Award condition: Reporting Subawards and Executive Compensation), and are incorporated by reference here.

This condition, including its reporting requirement, does not apply to-- (1) an award of less than $25,000, or (2) an award made to an individual who received the award as a natural person (i.e., unrelated to any business or non-profit organization that he or she may own or operate in his or her name).

SPECIAL CONDITIONS

27. Use of program income

Program income (as defined in the Part 200 Uniform Requirements) must be used in accordance with the provisions of the Part 200 Uniform Requirements. Program income earnings and expenditures both must be reported on the quarterly Federal Financial Report, SF 425.

28. Justice Information Sharing

In order to promote information sharing and enable interoperability among disparate systems across the justice and public safety community, the recipient (and any subrecipient at any tier) must comply with DOJ's Global Justice Information Sharing Initiative (DOJ's Global) guidelines and recommendations for this particular award. The recipient shall conform to the Global Standards Package (GSP) and all constituent elements, where applicable, as described at: https://it.ojp.gov/gsp_grantcondition. The recipient shall document planned approaches to information sharing and describe compliance to the GSP and appropriate privacy policy that protects shared information, or provide detailed justification for why an alternative approach is recommended.

29. Avoidance of duplication of networks

To avoid duplicating existing networks or IT systems in any initiatives funded by BJA for law enforcement information sharing systems which involve interstate connectivity between jurisdictions, such systems shall employ, to the extent possible, existing networks as the communication backbone to achieve interstate connectivity, unless the recipient can demonstrate to the satisfaction of BJA that this requirement would not be cost effective or would impair the functionality of an existing or proposed IT system.

30. Compliance with 28 C.F.R. Part 23

With respect to any information technology system funded or supported by funds under this award, the recipient (and any subrecipient at any tier) must comply with 28 C.F.R. Part 23, Criminal Intelligence Systems Operating Policies, if OJP determines this regulation to be applicable. Should OJP determine 28 C.F.R. Part 23 to be applicable, OJP may, at its discretion, perform audits of the system, as per the regulation. Should any violation of 28 C.F.R. Part 23 occur, the recipient may be fined as per 42 U.S.C. 3789g(c)-(d). The recipient may not satisfy such a fine with federal funds.

31. Protection of human research subjects

The recipient (and any subrecipient at any tier) must comply with the requirements of 28 C.F.R. Part 46 and all OJP policies and procedures regarding the protection of human research subjects, including obtainment of Institutional Review Board approval, if appropriate, and subject informed consent.

32. Confidentiality of data

The recipient (and any subrecipient at any tier) must comply with all confidentiality requirements of 42 U.S.C. 3789g and 28 C.F.R. Part 22 that are applicable to collection, use, and revelation of data or information. The recipient further agrees, as a condition of award approval, to submit a Privacy Certificate that is in accord with requirements of 28 C.F.R. Part 22 and, in particular, 28 C.F.R. 22.23.

SPECIAL CONDITIONS

33. Verification and updating of recipient contact information

The recipient must verify its Point of Contact(POC), Financial Point of Contact (FPOC), and Authorized Representative contact information in GMS, including telephone number and e-mail address. If any information is incorrect or has changed, a Grant Adjustment Notice (GAN) must be submitted via the Grants Management System (GMS) to document changes.

34. Law enforcement task forces - required training

Within 120 days of award acceptance, each current member of a law enforcement task force funded with award funds who is a task force commander, agency executive, task force officer, or other task force member of equivalent rank, must complete required online (internet-based) task force training. Additionally, all future task force members must complete this training once during the period of performance for this award, or once every four years if multiple OJP awards include this requirement.

The required training is available free of charge online through the BJA-funded Center for Task Force Integrity and Leadership (www.ctfli.org). The training addresses task force effectiveness, as well as other key issues including privacy and civil liberties/rights, task force performance measurement, personnel selection, and task force oversight and accountability. If award funds are used to support a task force, the recipient must compile and maintain a task force personnel roster, along with course completion certificates.

Additional information regarding the training is available through BJA's web site and the Center for Task Force Integrity and Leadership (www.ctfli.org).

35. Required attendance at BJA-sponsored events

The recipient (and its subrecipients at any tier) must participate in BJA-sponsored training events, technical assistance events, or conferences held by BJA or its designees, upon BJA's request.

36. Justification of consultant rate

Approval of this award does not indicate approval of any consultant rate in excess of $650 per day. A detailed justification must be submitted to and approved by the OJP program office prior to obligation or expenditure of such funds.

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SPECIAL CONDITIONS

37. Compliance with National Environmental Policy Act and related statutes

Upon request, the recipient (and any subrecipient at any tier) must assist BJA in complying with the National Environmental Policy Act (NEPA), the National Historic Preservation Act, and other related federal environmental impact analyses requirements in the use of these award funds, either directly by the recipient or by a subrecipient. Accordingly, the recipient agrees to first determine if any of the following activities will be funded by the grant, prior to obligating funds for any of these purposes. If it is determined that any of the following activities will be funded by the award, the recipient agrees to contact BJA.

The recipient understands that this condition applies to new activities as set out below, whether or not they are being specifically funded with these award funds. That is, as long as the activity is being conducted by the recipient, a subrecipient, or any third party, and the activity needs to be undertaken in order to use these award funds, this condition must first be met. The activities covered by this condition are:

a. New construction;

b. Minor renovation or remodeling of a property located in an environmentally or historically sensitive area, including properties located within a 100-year flood plain, a wetland, or habitat for endangered species, or a property listed on or eligible for listing on the National Register of Historic Places;

c. A renovation, lease, or any proposed use of a building or facility that will either (a) result in a change in its basic prior use or (b) significantly change its size;

d. Implementation of a new program involving the use of chemicals other than chemicals that are (a) purchased as an incidental component of a funded activity and (b) traditionally used, for example, in office, household, recreational, or education environments; and

e. Implementation of a program relating to clandestine methamphetamine laboratory operations, including the identification, seizure, or closure of clandestine methamphetamine laboratories.

The recipient understands and agrees that complying with NEPA may require the preparation of an Environmental Assessment and/or an Environmental Impact Statement, as directed by BJA. The recipient further understands and agrees to the requirements for implementation of a Mitigation Plan, as detailed at https://bja.gov/Funding/nepa.html, for programs relating to methamphetamine laboratory operations.

Application of This Condition to Recipient's Existing Programs or Activities: For any of the recipient's or its subrecipients' existing programs or activities that will be funded by these award funds, the recipient, upon specific request from BJA, agrees to cooperate with BJA in any preparation by BJA of a national or program environmental assessment of that funded program or activity.

38. Establishment of trust fund

If award funds are being drawn down in advance, the recipient (or a subrecipient, with respect to a subaward) is required to establish a trust fund account. (The trust fund may or may not be an interest-bearing account.) The fund, including any interest, may not be used to pay debts or expenses incurred by other activities beyond the scope of the Edward Byrne Memorial Justice Assistance Grant Program (JAG). The recipient also agrees to obligate the award funds in the trust fund (including any interest earned) during the period of performance for the award and expend within 90 days thereafter. Any unobligated or unexpended funds, including interest earned, must be returned to OJP at the time of closeout.

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SPECIAL CONDITIONS

39. Prohibition on use of award funds for match under BVP program

JAG funds may be used to purchase vests for an agency, but they may not be used as the 50% match for purposes of the DOJ Bulletproof Vest Partnership (BVP) program.

40. Certification of body armor "mandatory wear" policies

The recipient agrees to submit a signed certification that all law enforcement agencies receiving body armor purchased with funds from this award have a written "mandatory wear" policy in effect. The recipient must keep signed certifications on file for any subrecipients planning to utilize funds from this award for ballistic-resistant and stab-resistant body armor purchases. This policy must be in place for at least all uniformed officers before any funds from this award may be used by an agency for body armor. There are no requirements regarding the nature of the policy other than it be a mandatory wear policy for all uniformed officers while on duty.

41. Body armor - compliance with NIJ standards

Ballistic-resistant and stab-resistant body armor purchased with JAG award funds may be purchased at any threat level, make or model, from any distributor or manufacturer, as long as the body armor has been tested and found to comply with applicable National Institute of Justice ballistic or stab standards and is listed on the NIJ Compliant Body Armor Model List (https://nij.gov/). In addition, ballistic-resistant and stab-resistant body armor purchased must be American-made. The latest NIJ standard information can be found here: https://nij.gov/topics/technology/body-armor/pages/safety-initiative.aspx.

42. Required monitoring of subawards

The recipient must monitor subawards under this JAG award in accordance with all applicable statutes, regulations, award conditions, and the DOJ Grants Financial Guide, and must include the applicable conditions of this award in any subaward. Among other things, the recipient is responsible for oversight of subrecipient spending and monitoring of specific outcomes and benefits attributable to use of award funds by subrecipients. The recipient agrees to submit, upon request, documentation of its policies and procedures for monitoring of subawards under this award.

43. Reporting requirements

The recipient must submit quarterly Federal Financial Reports (SF-425) and semi-annual performance reports through OJP's GMS (https://grants.ojp.usdoj.gov). Consistent with the Department's responsibilities under the Government Performance and Results Act (GPRA) and the GPRA Modernization Act of 2010, the recipient must provide data that measure the results of its work. The recipient must submit quarterly performance metrics reports through BJA's Performance Measurement Tool (PMT) website (www.bjaperformancetools.org). For more detailed information on reporting and other JAG requirements, refer to the JAG reporting requirements webpage. Failure to submit required JAG reports by established deadlines may result in the freezing of grant funds and future High Risk designation.

44. Required data on law enforcement agency training

Any law enforcement agency receiving direct or sub-awarded funding from this JAG award must submit quarterly accountability metrics data related to training that officers have received on the use of force, racial and ethnic bias, de-escalation of conflict, and constructive engagement with the public.

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SPECIAL CONDITIONS

45. Prohibited Expenditures List

Award funds may not be used for items that are listed on the Prohibited Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time. The Prohibited Expenditure List may be accessed here: https://www.bja.gov/funding/JAGControlledPurchaseList.pdf

46. Controlled expenditures - prior written approval required

Award funds may not be used for items that are listed on the Controlled Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time, without explicit written prior approval from BJA. The Controlled Expenditure List, and instructions on how to request approval for purchase or acquisitions are set out at https://www.bja.gov/funding/JAGControlledPurchaseList.pdf

47. Controlled expenditures - incident reporting

If an agency uses award funds to purchase or acquire any item on the Controlled Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time, the agency must collect and retain (for at least 3 years) certain information about the use of-- (1) any federally-acquired Controlled Equipment in the agency's inventory, and (2) any other controlled equipment in the same category as the federally-acquired controlled equipment in the agency's inventory, regardless of source; and the agency must make that information available to BJA upon request. Details about what information must be collected and retained are set out at https://ojp.gov/docs/LE-Equipment-WG-Final-Report.pdf.

48. Sale of items on Controlled Expenditure List

Notwithstanding the provision of the Part 200 Uniform Requirements set out at 2 C.F.R. 200.313, no equipment listed on the Controlled Expenditure List that is purchased with award funds may be transferred or sold to a third party, except as described below:

a. Agencies may transfer or sell any controlled equipment, except riot helmets and riot shields, to a Law Enforcement Agency (LEA) after obtaining prior written approval from BJA. As a condition of that approval, the acquiring LEA will be required to submit information and certifications to BJA as if it were requesting approval to use award funds for the initial purchase of items on the Controlled Expenditure List.

b. Agencies may not transfer or sell any riot helmets or riot shields purchased under this award.

c. Agencies may not transfer or sell any Controlled Equipment purchased under this award to non-LEAs, with the exception of fixed wing aircraft, rotary wing aircraft, and command and control vehicles. Before any such transfer or sale is finalized, the agency must obtain prior written approval from BJA. All law enforcement-related and other sensitive or potentially dangerous components, and all law enforcement insignias and identifying markings must be removed prior to transfer or sale.

The recipient must notify BJA prior to the disposal of any items on the Controlled Expenditure List purchased with award funds, and must abide by any applicable laws (including regulations) in such disposal.

49. Prohibited or controlled expenditures - Effect of failure to comply

Failure to comply with an award condition related to prohibited or controlled expenditures may result in denial of any further approvals of controlled expenditures under this or other federal awards.

SPECIAL CONDITIONS

50. Controlled expenditures - Standards

Consistent with recommendation 2.1 of Executive Order 13688, a law enforcement agency that acquires controlled equipment with award funds must adopt robust and specific written policies and protocols governing General Policing Standards and Specific Controlled Equipment Standards. General Policing Standards includes policies on (a) Community Policing; (b) Constitutional Policing; and (c) Community Input and Impact Considerations. Specific Controlled Equipment Standards includes policies specifically related to (a) Appropriate Use of Controlled Equipment; (b) Supervision of Use; (c) Effectiveness Evaluation; (d) Auditing and Accountability; and (e) Transparency and Notice Considerations. Upon OJP's request, the recipient must provide a copy of the General Policing Standards and Specific Controlled Equipment Standards, and any related policies and protocols.

51. Authorization to obligate (federal) award funds to reimburse certain project costs incurred on or after October 1, 2016

The recipient may obligate (federal) award funds only after the recipient makes a valid acceptance of the award. As of the first day of the period of performance for the award (October 1, 2016), however, the recipient may choose to incur project costs using non-federal funds, but any such project costs are incurred at the recipient's risk until, at a minimum-- (1) the recipient makes a valid acceptance of the award, and (2) all applicable withholding conditions are removed by OJP (via a Grant Adjustment Notice). (A withholding condition is a condition in the award document that precludes the recipient from obligating, expending, or drawing down all or a portion of the award funds until the condition is removed.)

Except to the extent (if any) that an award condition expressly precludes reimbursement of project costs incurred "at-risk," if and when the recipient makes a valid acceptance of this award and OJP removes each applicable withholding condition through a Grant Adjustment Notice, the recipient is authorized to obligate (federal) award funds to reimburse itself for project costs incurred "at-risk" earlier during the period of performance (such as project costs incurred prior to award acceptance or prior to removal of an applicable withholding condition), provided that those project costs otherwise are allowable costs under the award.

Nothing in this condition shall be understood to authorize the recipient (or any subrecipient at any tier) to use award funds to "supplant" State or local funds in violation of the recipient's certification (executed by the chief executive of the State or local government) that federal funds will be used to increase the amounts of such funds that would, in the absence of federal funds, be made available for law enforcement activities.

52. "Certification of Compliance with 8 U.S.C. 1373" required for valid award acceptance by a unit of local government

In order validly to accept this award, the applicant local government must submit the required "Certification of Compliance with 8 U.S.C. 1373" (executed by the chief legal officer of the local government). Unless that executed certification either-- (1) is submitted to OJP together with the fully-executed award document, or (2) is uploaded in OJP's GMS no later than the day the signed award document is submitted to OJP, any submission by a unit of local government that purports to accept the award is invalid.

If an initial award-acceptance submission by the recipient is invalid, once the unit of local government does submit the necessary certification regarding 8 U.S.C. 1373, it may submit a fully-executed award document executed by the unit of local government on or after the date of that certification.

For purposes of this condition, "local government" does not include any Indian tribes.

SPECIAL CONDITIONS

53. Ongoing compliance with 8 U.S.C. 1373 is required

1. With respect to the "program or activity" funded in whole or part under this award (including any such "program or activity" of any subrecipient at any tier), throughout the period of performance for the award, no State or local government entity, -agency, or -official may prohibit or in any way restrict-- (1) any government entity or -official from sending or receiving information regarding citizenship or immigration status as described in 8 U.S.C. 1373(a); or (2) a government entity or -agency from sending, requesting or receiving, maintaining, or exchanging information regarding immigration status as described in 8 U.S.C. 1373(b). For purposes of this award, any prohibition (or restriction) that violates this condition is an "information-communication restriction."

2. Certifications from subrecipients. The recipient may not make a subaward to a State or local government or a "public" institution of higher education, unless it first obtains a certification of compliance with 8 U.S.C. 1373, properly executed by the chief legal officer of the jurisdiction or institution that would receive the subaward, using the appropriate form available at https://ojp.gov/funding/Explore/SampleCertifications-8USC1373.htm. Similarly, the recipient must require that no subrecipient (at any tier) may make a further subaward to a State or local government or a "public" institution of higher education, unless it first obtains a certification of compliance with 8 U.S.C. 1373, properly executed by the chief legal officer of the jurisdiction or institution that would receive the further subaward, using the appropriate OJP form.

3. The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

4. Allowable costs. Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) that the recipient, or any subrecipient at any tier that is a State or local government or a "public" institution of higher education, incurs to implement this condition.

5. Rules of Construction

A. For purposes of this condition:

(1) "State" and "local government" include any agency or other entity thereof, but not any institution of higher education or any Indian tribe.

(2) A "public" institution of higher education is one that is owned, controlled, or directly funded by a State or local government.

(3) "Program or activity" means what it means under title VI of the Civil Rights Act of 1964 (see 42 U.S.C. 2000d-4a).

(4) "Immigration status" means what it means for purposes of 8 U.S.C. 1373 (Illegal Immigration Reform and Immigrant Responsibility Act of 1996); and terms that are defined in 8 U.S.C. 1101 (Immigration and Nationality Act) mean what they mean under that section 1101, except that the term "State" also shall include American Samoa (cf. 42 U.S.C. 901(a)(2)).

(5) Pursuant to the provisions set out at (or referenced in) 8 U.S.C. 1551 note ("Abolition … and Transfer of Functions"), references to the "Immigration and Naturalization Service" in 8 U.S.C. 1373 are to be read as references to particular components of the Department of Homeland Security (DHS).

B. Nothing in this condition shall be understood to authorize or require any recipient, any subrecipient at any tier, any State or local government, any "public" institution of higher education, or any other entity (or individual) to violate any federal law, including any applicable civil rights or nondiscrimination law.

SPECIAL CONDITIONS

IMPORTANT NOTE: Any questions about the meaning or scope of this condition should be directed to OJP, before award acceptance.

54. Authority to obligate award funds contingent on compliance with 8 U.S.C. 1373; unallowable costs; obligation to notify

1. If the recipient is a State or local government--

A. The recipient may not obligate award funds if, at the time of the obligation, the "program or activity" of the recipient (or of any subrecipient at any tier that is a either a State or unit of local government or a "public" institution of higher education) that is funded in whole or in part with award funds is subject to any "information-communication restriction."

B. In addition, with respect to any project costs it incurs "at risk," the recipient may not obligate award funds to reimburse itself if -- at the time it incurs such costs -- the "program or activity" of the recipient (or of any subrecipient at any tier that is a either a State or unit of local government or a "public" institution of higher education) that would be reimbursed in whole or in part with award funds was subject to any "information-communication restriction."

C. Any drawdown of award funds by the recipient shall be considered, for all purposes, to be a material representation by the recipient to OJP that, as of the date the recipient requests the drawdown, the recipient and all subrecipients (regardless of tier) are in compliance with 8 U.S.C. 1373.

D. The recipient must promptly notify OJP (in writing) if the recipient, from its requisite monitoring of compliance with award conditions or otherwise, has credible evidence that indicates that the funded "program or activity" of the recipient, or of any subrecipient at any tier that is either a State or a local government or a "public" institution of higher education, may be subject to any "information-communication restriction." In addition, any subaward (at any tier) to a subrecipient that is either a State or a local government or a "public" institution of higher education must require prompt notification to the entity that made the subaward, should the subrecipient such credible evidence regarding an "information-communication restriction."

2. Any subaward (at any tier) to a subrecipient that is either a State or a local government or a "public" institution of higher education must provide that the subrecipient may not obligate award funds if, at the time of the obligation, the "program or activity" of the subrecipient (or of any further such subrecipient at any tier) that is funded in whole or in part with award funds is subject to any "information-communication restriction."

3. Absent an express written determination by DOJ to the contrary, based upon a finding by DOJ of compelling circumstances (e.g., a small amount of award funds obligated by the recipient at the time of a subrecipient's minor and transitory non-compliance, which was unknown to the recipient despite diligent monitoring), any obligations of award funds that, under this condition, may not be made shall be unallowable costs for purposes of this award. In making any such determination, DOJ will give great weight to evidence submitted by the recipient that demonstrates diligent monitoring of subrecipient compliance with the requirements set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required."

4. Rules of Construction

A. For purposes of this condition "information-communication restriction" has the meaning set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required."

B. Both the "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

SPECIAL CONDITIONS

55. Required State-level rules or practices related to aliens; allowable costs

The following provisions apply to the recipient of this award, if the recipient is a State government, and also apply to any State-government subrecipient at any tier (whether or not the recipient is a State government).

1. Requirements

With respect to the "program or activity" that is funded (in whole or in part) by this award, as of the date the recipient accepts this award, and throughout the remainder of the period of performance for the award--

A. A State statute, or a State rule, -regulation, -policy, or -practice, must be in place that is designed to ensure that agents of the United States acting under color of federal law in fact are given to access any State (or State-contracted) correctional facility for the purpose of permitting such agents to meet with individuals who are (or are believed by such agents to be) aliens and to inquire as to such individuals' right to be or remain in the United States.

B. A State statute, or a State rule, -regulation, -policy, or -practice, must be in place that is designed to ensure that, when a State (or State-contracted) correctional facility receives from DHS a formal written request authorized by the Immigration and Nationality Act that seeks advance notice of the scheduled release date and time for a particular alien in such facility, then such facility will honor such request and -- as early as practicable (see para. 4.B. of this condition) -- provide the requested notice to DHS.

2. Monitoring

The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

3. Allowable costs

Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) of-- (1) developing and putting into place statutes, rules, regulations, policies, and practices to satisfy this condition, and (2) permitting access as described in para. 1.A. above, and (3) honoring any request from DHS that is encompassed by para. 1.B. above.

4. Rules of construction

A. For purposes of this condition--

(1) the term "alien" means what it means under section 101 of the Immigration and Nationality Act (see 8 U.S.C. 1101(a)(3)).

(2) the term "correctional facility" means what it means under the Title I of the Omnibus Crime Control and Safe Streets Act of 1968 (see 42 U.S.C. 3791(a)(7)).

B. Nothing in this condition shall be understood to authorize or require any recipient, any subrecipient at any tier, any State or local government, or any other entity or individual to maintain (or detain) any individual in custody beyond the date and time the individual would have been released in the absence of this condition.

Current DHS practice is ordinarily to request advance notice of scheduled release "as early as practicable (at least 48 hours, if possible)." (See DHS Form I-247A (3/17)). In the event that (e.g., in light of the date DHS made such request) the scheduled release date and time for an alien are such as not to permit the advance notice that DHS has requested, it shall not be a violation of this condition to provide only as much advance notice as practicable.

SPECIAL CONDITIONS

NOTE: Current DHS practice is to use one form (DHS Form I-247A (3/17)) for two distinct purposes -- to request advance notice of scheduled release, and to request that an individual be detained for up to 48 hours AFTER the scheduled release. This condition imposes NO requirements as to such DHS requests for detention.

C. Both the "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

56. Required local-government-level rules or practices related to aliens; allowable costs

The following provisions apply to the recipient of this award, if the recipient is a unit of local government, and also apply to any local-government subrecipient of this award at any tier (whether or not the recipient itself is a unit of local government).

1. Requirements

With respect to the "program or activity" that is funded (in whole or in part) by this award, as of the date the recipient accepts this award, and throughout the remainder of the period of performance for the award--

A. A local ordinance, -rule, -regulation, -policy, or -practice (or an applicable State statute, -rule, -regulation, -policy, or -practice) must be in place that is designed to ensure that agents of the United States acting under color of federal law in fact are given access a local-government (or local-government-contracted) correctional facility for the purpose of permitting such agents to meet with individuals who are (or are believed by such agents to be) aliens and to inquire as to such individuals' right to be or remain in the United States.

B. A local ordinance, -rule, -regulation, -policy, or -practice (or an applicable State statute, -rule, -regulation, -policy, or -practice) must be in place that is designed to ensure that, when a local-government (or local-government-contracted) correctional facility receives from DHS a formal written request authorized by the Immigration and Nationality Act that seeks advance notice of the scheduled release date and time for a particular alien in such facility, then such facility will honor such request and -- as early as practicable (see "Rules of Construction" incorporated by para. 4.B. of this condition) -- provide the requested notice to DHS.

2. Monitoring

The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

3. Allowable costs

Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) of-- (1) developing and putting into place statutes, ordinances, rules, regulations, policies, and practices to satisfy this condition, (2) permitting access as described in para. 1.A. above, and (3) honoring any request from DHS that is encompassed by para. 1.B. above.

4. Rules of construction

A. The "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

B. The "Rules of Construction" set out in the award condition entitled "Required State-level rules or practices related to aliens; allowable costs" are incorporated by reference as though set forth here in full.

PROJECT NUMBER 2017-DJ-BX-0158 AWARD DATE 06/26/2018

SPECIAL CONDITIONS

57. Use of funds for DNA testing; upload of DNA profiles

If award funds are used for DNA testing of evidentiary materials, any resulting eligible DNA profiles must be uploaded to the Combined DNA Index System ("CODIS," the DNA database operated by the FBI) by a government DNA laboratory with access to CODIS.

No profiles generated under this award may be entered or uploaded into any non-governmental DNA database without prior express written approval from BJA.

Award funds may not be used for the purchase of DNA equipment and supplies unless the resulting DNA profiles may be accepted for entry into CODIS.

58. Encouragement of submission of "success stories"

BJA strongly encourages the recipient to submit annual (or more frequent) JAG success stories. To submit a success story, sign in to a My BJA account at https://www.bja.gov/Login.aspx to access the Success Story Submission form. If the recipient does not yet have a My BJA account, please register at https://www.bja.gov/profile.aspx. Once registered, one of the available areas on the My BJA page will be "My Success Stories." Within this box, there is an option to add a Success Story. Once reviewed and approved by BJA, all success stories will appear on the BJA Success Story web page at https://www.bja.gov/SuccessStoryList.aspx.

59. Requirement to disclose whether recipient is designated "high risk" by a federal grant-making agency outside of DOJ

If the recipient is designated "high risk" by a federal grant-making agency outside of DOJ, currently or at any time during the course of the period of performance under this award, the recipient must disclose that fact and certain related information to OJP by email at OJP.ComplianceReporting@ojp.usdoj.gov. For purposes of this disclosure, high risk includes any status under which a federal awarding agency provides additional oversight due to the recipient's past performance, or other programmatic or financial concerns with the recipient. The recipient's disclosure must include the following: 1. The federal awarding agency that currently designates the recipient high risk, 2. The date the recipient was designated high risk, 3. The high-risk point of contact at that federal awarding agency (name, phone number, and email address), and 4. The reasons for the high-risk status, as set out by the federal awarding agency.

60. Reclassification of various statutory provisions to a new Title 34 of the United States Code

On September 1, 2017, various statutory provisions previously codified elsewhere in the U.S. Code were editorially reclassified to a new Title 34, entitled "Crime Control and Law Enforcement." The reclassification encompassed a number of statutory provisions pertinent to OJP awards (that is, OJP grants and cooperative agreements), including many provisions previously codified in Title 42 of the U.S. Code.

Effective as of September 1, 2017, any reference in this award document to a statutory provision that has been reclassified to the new Title 34 of the U.S. Code is to be read as a reference to that statutory provision as reclassified to Title 34. This rule of construction specifically includes references set out in award conditions, references set out in material incorporated by reference through award conditions, and references set out in other award requirements.

61. Withholding of funds: Memorandum of Understanding

The recipient may not obligate, expend, or draw down any award funds until OJP has reviewed and approved the Memorandum of Understanding (MOU), and a Grant Adjustment Notice (GAN) has been issued to remove this condition.

U.S. Department of Justice

Office of Justice Programs

Bureau of Justice Assistance

Washington, D.C. 20531

Memorandum To: Official Grant File

From: Orbin Terry, NEPA Coordinator

Subject: Incorporates NEPA Compliance in Further Developmental Stages for City of Hattiesburg

The Edward Byrne Memorial Justice Assistance Grant Program (JAG) allows states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system, some of which could have environmental impacts. All recipients of JAG funding must assist BJA in complying with NEPA and other related federal environmental impact analyses requirements in the use of grant funds, whether the funds are used directly by the grantee or by a subgrantee or third party. Accordingly, prior to obligating funds for any of the specified activities, the grantee must first determine if any of the specified activities will be funded by the grant.

The specified activities requiring environmental analysis are:
a. New construction;
b. Any renovation or remodeling of a property located in an environmentally or historically sensitive area, including properties located within a 100-year flood plain, a wetland, or habitat for endangered species, or a property listed on or eligible for listing on the National Register of Historic Places;
c. A renovation, lease, or any proposed use of a building or facility that will either (a) result in a change in its basic prior use or (b) significantly change its size;
d. Implementation of a new program involving the use of chemicals other than chemicals that are (a) purchased as an incidental component of a funded activity and (b) traditionally used, for example, in office, household, recreational, or education environments; and
e. Implementation of a program relating to clandestine methamphetamine laboratory operations, including the identification, seizure, or closure of clandestine methamphetamine laboratories.

Complying with NEPA may require the preparation of an Environmental Assessment and/or an Environmental Impact Statement, as directed by BJA. Further, for programs relating to methamphetamine laboratory operations, the preparation of a detailed Mitigation Plan will be required. For more information about Mitigation Plan requirements, please see https://www.bja.gov/Funding/nepa.html.

Please be sure to carefully review the grant conditions on your award document, as it may contain more specific information about environmental compliance.

U.S. Department of Justice
Office of Justice Programs

Bureau of Justice Assistance

GRANT MANAGER'S MEMORANDUM, PT. I: PROJECT SUMMARY

Grant

PROJECT NUMBER	PAGE 1 OF 1
2017-DJ-BX-0158	

This project is supported under FY17(BJA - JAG State and JAG Local) Title I of Pub. L. No. 90-351 (generally codified at 42 U.S.C. 3711 - 3797ff-5), including subpart 1 of part E (codified at 42 U.S.C. 3750 - 3758); see also 28 U.S.C. 530C(a).

1. STAFF CONTACT (Name & telephone number)

Linda L. Hill
(202) 353-9196

2. PROJECT DIRECTOR (Name, address & telephone number)

Lindsay Coleman
Grant Coordinator
P.O. Box 1898
Hattiesburg, MS 39403-1898
(601) 545-6623

3a. TITLE OF THE PROGRAM

BJA FY 17 Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Local Solicitation

3b. POMS CODE (SEE INSTRUCTIONS ON REVERSE)

4. TITLE OF PROJECT

JAG Grant Project 2017

5. NAME & ADDRESS OF GRANTEE

City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

6. NAME & ADRESS OF SUBGRANTEE

7. PROGRAM PERIOD

FROM: 10/01/2016 TO: 09/30/2020

8. BUDGET PERIOD

FROM: 10/01/2016 TO: 09/30/2020

9. AMOUNT OF AWARD

$ 18,795

10. DATE OF AWARD

06/26/2018

11. SECOND YEAR'S BUDGET

12. SECOND YEAR'S BUDGET AMOUNT

13. THIRD YEAR'S BUDGET PERIOD

14. THIRD YEAR'S BUDGET AMOUNT

15. SUMMARY DESCRIPTION OF PROJECT (See instruction on reverse)

The Edward Byrne Memorial Justice Assistance Grant Program (JAG) allows states and units of local government, including tribes, to support a broad range of criminal justice related activities based on their own state and local needs and conditions. Grant funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice, including for any one or more of the following purpose areas: 1) law enforcement programs; 2) prosecution and court programs; 3) prevention and education programs; 4) corrections and community corrections programs; 5) drug treatment and enforcement programs; 6) planning, evaluation, and technology improvement programs; 7) crime victim and witness programs (other than compensation); and 8) mental health programs and related law enforcement and corrections programs, including behavioral programs and crisis intervention teams.

This Local JAG award will be shared by the County and one or more jurisdictions identified as disparate within the current Fiscal Year eligibility list (www.bja.gov/Jag). JAG funding will be used to support criminal justice initiatives that fall under one or more of the allowable program areas above. Any equipment purchases or funded initiatives such as overtime, task forces, drug programs, information sharing, etc. will be aimed at reducing crime and/or enhancing public/officer safety.

NCA/NCF

U.S. Department of Justice

Office of Justice Programs

Office of the Assistant Attorney General

Washington, D.C. 20531

June 26, 2018

The Honorable Toby Barker
City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor Barker:

On behalf of Attorney General Jefferson Sessions III, it is my pleasure to inform you that the Office of Justice Programs has approved your application for funding under the FY 17 Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Local Solicitation in the amount of $18,795 for City of Hattiesburg.

Enclosed you will find the Grant Award and Special Conditions documents. This award is subject to all administrative and financial requirements, including the timely submission of all financial and programmatic reports, resolution of all interim audit findings, and the maintenance of a minimum level of cash-on-hand. Should you not adhere to these requirements, you will be in violation of the terms of this agreement and the award will be subject to termination for cause or other administrative action as appropriate.

If you have questions regarding this award, please contact:

- Program Questions, Linda L. Hill, Program Manager at (202) 353-9196; and

- Financial Questions, the Office of the Chief Financial Officer, Customer Service Center (CSC) at (800) 458-0786, or you may contact the CSC at ask.ocfo@usdoj.gov.

Congratulations, and we look forward to working with you.

Sincerely,

Alan R. Hanson
Principal Deputy Assistant Attorney General

Enclosures

OFFICE FOR CIVIL RIGHTS

Office of Justice Programs

U.S. Department of Justice

810 7th Street, NW
Washington, DC 20531

Tel: (202) 307-0690
TTY: (202) 307-2027
E-mail: askOCR@usdoj.gov
Website: www.ojp.usdoj.gov/ocr

June 26, 2018

The Honorable Toby Barker
City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor Barker:

Congratulations on your recent award. In establishing financial assistance programs, Congress linked the receipt of federal funding to compliance with federal civil rights laws. The Office for Civil Rights (OCR), Office of Justice Programs (OJP), U.S. Department of Justice (DOJ) is responsible for ensuring that recipients of financial assistance from the OJP, the Office of Community Oriented Policing Services (COPS), and the Office on Violence Against Women (OVW) comply with the applicable federal civil rights laws. We at the OCR are available to help you and your organization meet the civil rights requirements that come with DOJ funding.

Ensuring Access to Federally Assisted Programs

Federal laws that apply to recipients of financial assistance from the DOJ prohibit discrimination on the basis of race, color, national origin, religion, sex, or disability in funded programs or activities, not only in employment but also in the delivery of services or benefits. A federal law also prohibits recipients from discriminating on the basis of age in the delivery of services or benefits.

In March of 2013, President Obama signed the Violence Against Women Reauthorization Act of 2013. The statute amends the Violence Against Women Act of 1994 (VAWA) by including a nondiscrimination grant condition that prohibits discrimination based on actual or perceived race, color, national origin, religion, sex, disability, sexual orientation, or gender identity. The new nondiscrimination grant condition applies to certain programs funded after October 1, 2013. The OCR and the OVW have developed answers to some frequently asked questions about this provision to assist recipients of VAWA funds to understand their obligations. The Frequently Asked Questions are available at http://ojp.gov/about/ocr/vawafaqs.htm.

Enforcing Civil Rights Laws

All recipients of federal financial assistance, regardless of the particular funding source, the amount of the grant award, or the number of employees in the workforce, are subject to prohibitions against unlawful discrimination. Accordingly, the OCR investigates recipients that are the subject of discrimination complaints from both individuals and groups. In addition, based on regulatory criteria, the OCR selects a number of recipients each year for compliance reviews, audits that require recipients to submit data showing that they are providing services equitably to all segments of their service population and that their employment practices meet equal opportunity standards.

Providing Services to Limited English Proficiency (LEP) Individuals

In accordance with DOJ guidance pertaining to Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d, recipients of federal financial assistance must take reasonable steps to provide meaningful access to their programs and activities for persons with limited English proficiency (LEP). See U.S. Department of Justice, Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, 67 Fed. Reg. 41,455 (2002). For more information on the civil rights responsibilities that recipients have in providing language services to LEP individuals, please see the website http://www.lep.gov.

Ensuring Equal Treatment for Faith-Based Organizations

The DOJ regulation, Equal Treatment for Faith-Based Organizations, 28 C.F.R. pt. 38, requires State Administering Agencies (SAAs) to treat faith-based organizations the same as any other applicant or recipient. The regulation prohibits SAAs from making awards or grant administration decisions on the basis of an organization's religious character or affiliation, religious name, or the religious composition of its board of directors.

The regulation also prohibits faith-based organizations from using financial assistance from the DOJ to fund inherently (or explicitly) religious activities. While faith-based organizations can engage in non-funded inherently religious activities, they must hold them separately from the program funded by the DOJ, and recipients cannot compel beneficiaries to participate in them. The Equal Treatment Regulation also makes clear that organizations participating in programs funded by the DOJ are not permitted to discriminate in the provision of services on the basis of a beneficiary's religion. For more information on the regulation, please see the OCR's website at http://www.ojp.usdoj.gov/about/ocr/equal_fbo.htm.

SAAs and faith-based organizations should also note that the Omnibus Crime Control and Safe Streets Act (Safe Streets Act) of 1968, as amended, 42 U.S.C. § 3789d(c); the Victims of Crime Act of 1984, as amended, 42 U.S.C. § 10604(e); the Juvenile Justice and Delinquency Prevention Act of 1974, as amended, 42 U.S.C. § 5672(b); and VAWA, Pub. L. No. 113-4, sec. 3(b)(4), 127 Stat. 54, 61-62 (to be codified at 42 U.S.C. § 13925(b)(13)) contain prohibitions against discrimination on the basis of religion in employment. Despite these nondiscrimination provisions, the DOJ has concluded that it may construe the Religious Freedom Restoration Act (RFRA) on a case-by-case basis to permit some faith-based organizations to receive DOJ funds while taking into account religion when hiring staff, even if the statute that authorizes the funding program generally forbids recipients from considering religion in employment decisions.
Please consult with the OCR if you have any questions about the regulation or the application of RFRA to the statutes that prohibit discrimination in employment.

Using Arrest and Conviction Records in Making Employment Decisions

The OCR issued an advisory document for recipients on the proper use of arrest and conviction records in making hiring decisions. See Advisory for Recipients of Financial Assistance from the U.S. Department of Justice on the U.S. Equal Employment Opportunity Commission's Enforcement Guidance: Consideration of Arrest and Conviction Records in Employment Decisions Under Title VII of the Civil Rights Act of 1964 (June 2013), available at http://www.ojp.usdoj.gov//about/ocr/pdfs/UseofConviction_Advisory.pdf. Recipients should be mindful that the misuse of arrest or conviction records to screen either applicants for employment or employees for retention or promotion may have a disparate impact based on race or national origin, resulting in unlawful employment discrimination. In light of the Advisory, recipients should consult local counsel in reviewing their employment practices. If warranted, recipients should also incorporate an analysis of the use of arrest and conviction records in their Equal Employment Opportunity Plans (EEOPs) (see below).

Complying with the Safe Streets Act

An organization that is a recipient of financial assistance subject to the nondiscrimination provisions of the Safe Streets Act, must meet two obligations: (1) complying with the federal regulation pertaining to the development of an EEOP (see 28 C.F.R. pt. 42, subpt. E) and (2) submitting to the OCR findings of discrimination (see 28 C.F.R. §§ 42.204(c), .205(c)(5)).

Meeting the EEOP Requirement

If your organization has less than fifty employees or receives an award of less than $25,000 or is a nonprofit organization, a medical institution, an educational institution, or an Indian tribe, then it is exempt from the EEOP requirement. To claim the exemption, your organization must complete and submit Section A of the Certification Form, which is available online at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

If your organization is a government agency or private business and receives an award of $25,000 or more, but less than $500,000, and has fifty or more employees (counting both full- and part-time employees but excluding political appointees), then it has to prepare a Utilization Report (formerly called an EEOP Short Form), but it does not have to submit the report to the OCR for review. Instead, your organization has to maintain the Utilization Report on file and make it available for review on request. In addition, your organization has to complete Section B of the Certification Form and return it to the OCR. The Certification Form is available at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

If your organization is a government agency or private business and has received an award for $500,000 or more and has fifty or more employees (counting both full- and part-time employees but excluding political appointees), then it has to prepare a Utilization Report (formerly called an EEOP Short Form) and submit it to the OCR for review within sixty days from the date of this letter. For assistance in developing a Utilization Report, please consult the OCR's website at http://www.ojp.usdoj.gov/about/ocr/eeop.htm. In addition, your organization has to complete Section C of the Certification Form and return it to the OCR. The Certification Form is available at http://www.ojp.usdoj.gov/about/ocr/pdfs/cert.pdf.

To comply with the EEOP requirements, you may request technical assistance from an EEOP specialist at the OCR by telephone at (202) 307-0690, by TTY at (202) 307-2027, or by e-mail at EEOsubmisson@usdoj.gov.

Meeting the Requirement to Submit Findings of Discrimination

If in the three years prior to the date of the grant award, your organization has received an adverse finding of discrimination based on race, color, national origin, religion, or sex, after a due-process hearing, from a state or federal court or from a state or federal administrative agency, your organization must send a copy of the finding to the OCR.

Ensuring the Compliance of Subrecipients

SAAs must have standard assurances to notify subrecipients of their civil rights obligations, written procedures to address discrimination complaints filed against subrecipients, methods to monitor subrecipients' compliance with civil rights requirements, and a program to train subrecipients on applicable civil rights laws. In addition, SAAs must submit to the OCR every three years written Methods of Administration (MOA) that summarize the policies and procedures that they have implemented to ensure the civil rights compliance of subrecipients. For more information on the MOA requirement, see http://www.ojp.usdoj.gov/funding/other_requirements.htm.

If the OCR can assist you in any way in fulfilling your organization's civil rights responsibilities as a recipient of federal financial assistance, please contact us.

Sincerely,

Michael L. Alston

Michael L. Alston
Director

cc: Grant Manager
Financial Analyst

U.S. Department of Justice
Office of Justice Programs
Bureau of Justice Assistance

Grant

1. RECIPIENT NAME AND ADDRESS (Including Zip Code) City of Hattiesburg P.O. Box 1898 Hattiesburg, MS 39403-1898	4. AWARD NUMBER: 2017-DJ-BX-0158 5. PROJECT PERIOD: FROM 10/01/2016 TO 09/30/2020 BUDGET PERIOD: FROM 10/01/2016 TO 09/30/2020
	6. AWARD DATE 06/26/2018
	7. ACTION Initial
2a. GRANTEE IRS/VENDOR NO. 646000432	8. SUPPLEMENT NUMBER 00
2b. GRANTEE DUNS NO. 079448130	9. PREVIOUS AWARD AMOUNT $ 0
3. PROJECT TITLE JAG Grant Project 2017	10. AMOUNT OF THIS AWARD $ 18,795 11. TOTAL AWARD $ 18,795

12. SPECIAL CONDITIONS

THE ABOVE GRANT PROJECT IS APPROVED SUBJECT TO SUCH CONDITIONS OR LIMITATIONS AS ARE SET FORTH ON THE ATTACHED PAGE(S).

13. STATUTORY AUTHORITY FOR GRANT

This project is supported under FY17(BJA - JAG State and JAG Local) Title I of Pub. L. No. 90-351 (generally codified at 42 U.S.C. 3711 - 3797ff-5), including subpart 1 of part E (codified at 42 U.S.C. 3750 - 3758); see also 28 U.S.C. 530C(a).

14 . CATALOG OF DOMESTIC FEDERAL ASSISTANCE (CFDA Number)

16.738 - Edward Byrne Memorial Justice Assistance Grant Program

15. METHOD OF PAYMENT

GPRS

AGENCY APPROVAL	GRANTEE ACCEPTANCE	
16. TYPED NAME AND TITLE OF APPROVING OFFICIAL Alan R. Hanson Principal Deputy Assistant Attorney General	18. TYPED NAME AND TITLE OF AUTHORIZED GRANTEE OFFICIAL Toby Barker Mayor	
17. SIGNATURE OF APPROVING OFFICIAL	19. SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	19A. DATE 7-11-18

AGENCY USE ONLY

20. ACCOUNTING CLASSIFICATION CODES

FISCAL YEAR	FUND CODE	BUD. ACT.	OFC.	DIV. REG.	SUB.	POMS	AMOUNT
X	B	DJ	80	00	00		18795

21. SDJUGT1388

OJP FORM 4000/2 (REV. 5-87) PREVIOUS EDITIONS ARE OBSOLETE.

OJP FORM 4000/2 (REV. 4-88)

SPECIAL CONDITIONS

1. Requirements of the award; remedies for non-compliance or for materially false statements

The conditions of this award are material requirements of the award. Compliance with any certifications or assurances submitted by or on behalf of the recipient that relate to conduct during the period of performance also is a material requirement of this award.

Failure to comply with any one or more of these award requirements -- whether a condition set out in full below, a condition incorporated by reference below, or a certification or assurance related to conduct during the award period -- may result in the Office of Justice Programs ("OJP") taking appropriate action with respect to the recipient and the award. Among other things, the OJP may withhold award funds, disallow costs, or suspend or terminate the award. The Department of Justice ("DOJ"), including OJP, also may take other legal action as appropriate.

Any materially false, fictitious, or fraudulent statement to the federal government related to this award (or concealment or omission of a material fact) may be the subject of criminal prosecution (including under 18 U.S.C. 1001 and/or 1621, and/or 42 U.S.C. 3795a), and also may lead to imposition of civil penalties and administrative remedies for false claims or otherwise (including under 31 U.S.C. 3729-3730 and 3801-3812).

Should any provision of a requirement of this award be held to be invalid or unenforceable by its terms, that provision shall first be applied with a limited construction so as to give it the maximum effect permitted by law. Should it be held, instead, that the provision is utterly invalid or -unenforceable, such provision shall be deemed severable from this award.

2. Applicability of Part 200 Uniform Requirements

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements in 2 C.F.R. Part 200, as adopted and supplemented by DOJ in 2 C.F.R. Part 2800 (together, the "Part 200 Uniform Requirements") apply to this FY 2017 award from OJP.

The Part 200 Uniform Requirements were first adopted by DOJ on December 26, 2014. If this FY 2017 award supplements funds previously awarded by OJP under the same award number (e.g., funds awarded during or before December 2014), the Part 200 Uniform Requirements apply with respect to all funds under that award number (regardless of the award date, and regardless of whether derived from the initial award or a supplemental award) that are obligated on or after the acceptance date of this FY 2017 award.

For more information and resources on the Part 200 Uniform Requirements as they relate to OJP awards and subawards ("subgrants"), see the OJP website at https://ojp.gov/funding/Part200UniformRequirements.htm.

In the event that an award-related question arises from documents or other materials prepared or distributed by OJP that may appear to conflict with, or differ in some way from, the provisions of the Part 200 Uniform Requirements, the recipient is to contact OJP promptly for clarification.

3. Compliance with DOJ Grants Financial Guide

The recipient agrees to comply with the DOJ Grants Financial Guide as posted on the OJP website (currently, the "2015 DOJ Grants Financial Guide" available at https://ojp.gov/financialguide/DOJ/index.htm), including any updated version that may be posted during the period of performance.

SPECIAL CONDITIONS

4. Required training for Point of Contact and all Financial Points of Contact

Both the Point of Contact (POC) and all Financial Points of Contact (FPOCs) for this award must have successfully completed an "OJP financial management and grant administration training" by 120 days after the date of the recipient's acceptance of the award. Successful completion of such a training on or after January 1, 2015, will satisfy this condition.

In the event that either the POC or an FPOC for this award changes during the period of performance, the new POC or FPOC must have successfully completed an "OJP financial management and grant administration training" by 120 calendar days after-- (1) the date of OJP's approval of the "Change Grantee Contact" GAN (in the case of a new POC), or (2) the date the POC enters information on the new FPOC in GMS (in the case of a new FPOC). Successful completion of such a training on or after January 1, 2015, will satisfy this condition.

A list of OJP trainings that OJP will consider "OJP financial management and grant administration training" for purposes of this condition is available at https://www.ojp.gov/training/fmts.htm. All trainings that satisfy this condition include a session on grant fraud prevention and detection.

The recipient should anticipate that OJP will immediately withhold ("freeze") award funds if the recipient fails to comply with this condition. The recipient's failure to comply also may lead OJP to impose additional appropriate conditions on this award.

5. Requirements related to "de minimis" indirect cost rate

A recipient that is eligible under the Part 200 Uniform Requirements and other applicable law to use the "de minimis" indirect cost rate described in 2 C.F.R. 200.414(f), and that elects to use the "de minimis" indirect cost rate, must advise OJP in writing of both its eligibility and its election, and must comply with all associated requirements in the Part 200 Uniform Requirements. The "de minimis" rate may be applied only to modified total direct costs (MTDC) as defined by the Part 200 Uniform Requirements.

6. Requirement to report potentially duplicative funding

If the recipient currently has other active awards of federal funds, or if the recipient receives any other award of federal funds during the period of performance for this award, the recipient promptly must determine whether funds from any of those other federal awards have been, are being, or are to be used (in whole or in part) for one or more of the identical cost items for which funds are provided under this award. If so, the recipient must promptly notify the DOJ awarding agency (OJP or OVW, as appropriate) in writing of the potential duplication, and, if so requested by the DOJ awarding agency, must seek a budget-modification or change-of-project-scope grant adjustment notice (GAN) to eliminate any inappropriate duplication of funding.

SPECIAL CONDITIONS

7. Requirements related to System for Award Management and Universal Identifier Requirements

The recipient must comply with applicable requirements regarding the System for Award Management (SAM), currently accessible at https://www.sam.gov/. This includes applicable requirements regarding registration with SAM, as well as maintaining the currency of information in SAM.

The recipient also must comply with applicable restrictions on subawards ("subgrants") to first-tier subrecipients (first-tier "subgrantees"), including restrictions on subawards to entities that do not acquire and provide (to the recipient) the unique entity identifier required for SAM registration.

The details of the recipient's obligations related to SAM and to unique entity identifiers are posted on the OJP web site at https://ojp.gov/funding/Explore/SAM.htm (Award condition: System for Award Management (SAM) and Universal Identifier Requirements), and are incorporated by reference here.

This condition does not apply to an award to an individual who received the award as a natural person (i.e., unrelated to any business or non-profit organization that he or she may own or operate in his or her name).

8. All subawards ("subgrants") must have specific federal authorization

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements for authorization of any subaward. This condition applies to agreements that -- for purposes of federal grants administrative requirements -- OJP considers a "subaward" (and therefore does not consider a procurement "contract").

The details of the requirement for authorization of any subaward are posted on the OJP web site at https://ojp.gov/funding/Explore/SubawardAuthorization.htm (Award condition: All subawards ("subgrants") must have specific federal authorization), and are incorporated by reference here.

9. Specific post-award approval required to use a noncompetitive approach in any procurement contract that would exceed $150,000

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements to obtain specific advance approval to use a noncompetitive approach in any procurement contract that would exceed the Simplified Acquisition Threshold (currently, $150,000). This condition applies to agreements that -- for purposes of federal grants administrative requirements -- OJP considers a procurement "contract" (and therefore does not consider a subaward).

The details of the requirement for advance approval to use a noncompetitive approach in a procurement contract under an OJP award are posted on the OJP web site at https://ojp.gov/funding/Explore/NoncompetitiveProcurement.htm (Award condition: Specific post-award approval required to use a noncompetitive approach in a procurement contract (if contract would exceed $150,000)), and are incorporated by reference here.

SPECIAL CONDITIONS

10. Requirements pertaining to prohibited conduct related to trafficking in persons (including reporting requirements and OJP authority to terminate award)

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements (including requirements to report allegations) pertaining to prohibited conduct related to the trafficking of persons, whether on the part of recipients, subrecipients ("subgrantees"), or individuals defined (for purposes of this condition) as "employees" of the recipient or of any subrecipient.

The details of the recipient's obligations related to prohibited conduct related to trafficking in persons are posted on the OJP web site at https://ojp.gov/funding/Explore/ProhibitedConduct-Trafficking.htm (Award condition: Prohibited conduct by recipients and subrecipients related to trafficking in persons (including reporting requirements and OJP authority to terminate award)), and are incorporated by reference here.

11. Compliance with applicable rules regarding approval, planning, and reporting of conferences, meetings, trainings, and other events

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable laws, regulations, policies, and official DOJ guidance (including specific cost limits, prior approval and reporting requirements, where applicable) governing the use of federal funds for expenses related to conferences (as that term is defined by DOJ), including the provision of food and/or beverages at such conferences, and costs of attendance at such conferences.

Information on the pertinent DOJ definition of conferences and the rules applicable to this award appears in the DOJ Grants Financial Guide (currently, as section 3.10 of "Postaward Requirements" in the "2015 DOJ Grants Financial Guide").

12. Requirement for data on performance and effectiveness under the award

The recipient must collect and maintain data that measure the performance and effectiveness of work under this award. The data must be provided to OJP in the manner (including within the timeframes) specified by OJP in the program solicitation or other applicable written guidance. Data collection supports compliance with the Government Performance and Results Act (GPRA) and the GPRA Modernization Act of 2010, and other applicable laws.

13. OJP Training Guiding Principles

Any training or training materials that the recipient -- or any subrecipient ("subgrantee") at any tier -- develops or delivers with OJP award funds must adhere to the OJP Training Guiding Principles for Grantees and Subgrantees, available at https://ojp.gov/funding/ojptrainingguidingprinciples.htm.

14. Effect of failure to address audit issues

The recipient understands and agrees that the DOJ awarding agency (OJP or OVW, as appropriate) may withhold award funds, or may impose other related requirements, if (as determined by the DOJ awarding agency) the recipient does not satisfactorily and promptly address outstanding issues from audits required by the Part 200 Uniform Requirements (or by the terms of this award), or other outstanding issues that arise in connection with audits, investigations, or reviews of DOJ awards.

15. Potential imposition of additional requirements

The recipient agrees to comply with any additional requirements that may be imposed by the DOJ awarding agency (OJP or OVW, as appropriate) during the period of performance for this award, if the recipient is designated as "high-risk" for purposes of the DOJ high-risk grantee list.

SPECIAL CONDITIONS

16. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 42

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 42, specifically including any applicable requirements in Subpart E of 28 C.F.R. Part 42 that relate to an equal employment opportunity program.

17. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 54

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 54, which relates to nondiscrimination on the basis of sex in certain "education programs."

18. Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 38

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable requirements of 28 C.F.R. Part 38, specifically including any applicable requirements regarding written notice to program beneficiaries and prospective program beneficiaries. Part 38 of 28 C.F.R., a DOJ regulation, was amended effective May 4, 2016.

Among other things, 28 C.F.R. Part 38 includes rules that prohibit specific forms of discrimination on the basis of religion, a religious belief, a refusal to hold a religious belief, or refusal to attend or participate in a religious practice. Part 38 also sets out rules and requirements that pertain to recipient and subrecipient ("subgrantee") organizations that engage in or conduct explicitly religious activities, as well as rules and requirements that pertain to recipients and subrecipients that are faith-based or religious organizations.

The text of the regulation, now entitled "Partnerships with Faith-Based and Other Neighborhood Organizations," is available via the Electronic Code of Federal Regulations (currently accessible at https://www.ecfr.gov/cgi-bin/ECFR?page=browse), by browsing to Title 28-Judicial Administration, Chapter 1, Part 38, under e-CFR "current" data.

19. Restrictions on "lobbying"

In general, as a matter of federal law, federal funds awarded by OJP may not be used by the recipient, or any subrecipient ("subgrantee") at any tier, either directly or indirectly, to support or oppose the enactment, repeal, modification, or adoption of any law, regulation, or policy, at any level of government. See 18 U.S.C. 1913. (There may be exceptions if an applicable federal statute specifically authorizes certain activities that otherwise would be barred by law.)

Another federal law generally prohibits federal funds awarded by OJP from being used by the recipient, or any subrecipient at any tier, to pay any person to influence (or attempt to influence) a federal agency, a Member of Congress, or Congress (or an official or employee of any of them) with respect to the awarding of a federal grant or cooperative agreement, subgrant, contract, subcontract, or loan, or with respect to actions such as renewing, extending, or modifying any such award. See 31 U.S.C. 1352. Certain exceptions to this law apply, including an exception that applies to Indian tribes and tribal organizations.

Should any question arise as to whether a particular use of federal funds by a recipient (or subrecipient) would or might fall within the scope of these prohibitions, the recipient is to contact OJP for guidance, and may not proceed without the express prior written approval of OJP.

SPECIAL CONDITIONS

20. Compliance with general appropriations-law restrictions on the use of federal funds (FY 2017)

The recipient, and any subrecipient ("subgrantee") at any tier, must comply with all applicable restrictions on the use of federal funds set out in federal appropriations statutes. Pertinent restrictions, including from various "general provisions" in the Consolidated Appropriations Act, 2017, are set out at https://ojp.gov/funding/Explore/FY17AppropriationsRestrictions.htm, and are incorporated by reference here.

Should a question arise as to whether a particular use of federal funds by a recipient (or a subrecipient) would or might fall within the scope of an appropriations-law restriction, the recipient is to contact OJP for guidance, and may not proceed without the express prior written approval of OJP.

21. Reporting potential fraud, waste, and abuse, and similar misconduct

The recipient, and any subrecipients ("subgrantees") at any tier, must promptly refer to the DOJ Office of the Inspector General (OIG) any credible evidence that a principal, employee, agent, subrecipient, contractor, subcontractor, or other person has, in connection with funds under this award-- (1) submitted a claim that violates the False Claims Act; or (2) committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct.

Potential fraud, waste, abuse, or misconduct involving or relating to funds under this award should be reported to the OIG by-- (1) mail directed to: Office of the Inspector General, U.S. Department of Justice, Investigations Division, 950 Pennsylvania Avenue, N.W. Room 4706, Washington, DC 20530; (2) e-mail to: oig.hotline@usdoj.gov; and/or (3) the DOJ OIG hotline: (contact information in English and Spanish) at (800) 869-4499 (phone) or (202) 616-9881 (fax).

Additional information is available from the DOJ OIG website at https://www.usdoj.gov/oig.

SPECIAL CONDITIONS

22. Restrictions and certifications regarding non-disclosure agreements and related matters

No recipient or subrecipient ("subgrantee") under this award, or entity that receives a procurement contract or subcontract with any funds under this award, may require any employee or contractor to sign an internal confidentiality agreement or statement that prohibits or otherwise restricts, or purports to prohibit or restrict, the reporting (in accordance with law) of waste, fraud, or abuse to an investigative or law enforcement representative of a federal department or agency authorized to receive such information.

The foregoing is not intended, and shall not be understood by the agency making this award, to contravene requirements applicable to Standard Form 312 (which relates to classified information), Form 4414 (which relates to sensitive compartmented information), or any other form issued by a federal department or agency governing the nondisclosure of classified information.

1. In accepting this award, the recipient--

a. represents that it neither requires nor has required internal confidentiality agreements or statements from employees or contractors that currently prohibit or otherwise currently restrict (or purport to prohibit or restrict) employees or contractors from reporting waste, fraud, or abuse as described above; and

b. certifies that, if it learns or is notified that it is or has been requiring its employees or contractors to execute agreements or statements that prohibit or otherwise restrict (or purport to prohibit or restrict), reporting of waste, fraud, or abuse as described above, it will immediately stop any further obligations of award funds, will provide prompt written notification to the federal agency making this award, and will resume (or permit resumption of) such obligations only if expressly authorized to do so by that agency.

2. If the recipient does or is authorized under this award to make subawards ("subgrants"), procurement contracts, or both--

a. it represents that--

(1) it has determined that no other entity that the recipient's application proposes may or will receive award funds (whether through a subaward ("subgrant"), procurement contract, or subcontract under a procurement contract) either requires or has required internal confidentiality agreements or statements from employees or contractors that currently prohibit or otherwise currently restrict (or purport to prohibit or restrict) employees or contractors from reporting waste, fraud, or abuse as described above; and

(2) it has made appropriate inquiry, or otherwise has an adequate factual basis, to support this representation; and

b. it certifies that, if it learns or is notified that any subrecipient, contractor, or subcontractor entity that receives funds under this award is or has been requiring its employees or contractors to execute agreements or statements that prohibit or otherwise restrict (or purport to prohibit or restrict), reporting of waste, fraud, or abuse as described above, it will immediately stop any further obligations of award funds to or by that entity, will provide prompt written notification to the federal agency making this award, and will resume (or permit resumption of) such obligations only if expressly authorized to do so by that agency.

SPECIAL CONDITIONS

23. Compliance with 41 U.S.C. 4712 (including prohibitions on reprisal; notice to employees)

The recipient (and any subrecipient at any tier) must comply with, and is subject to, all applicable provisions of 41 U.S.C. 4712, including all applicable provisions that prohibit, under specified circumstances, discrimination against an employee as reprisal for the employee's disclosure of information related to gross mismanagement of a federal grant, a gross waste of federal funds, an abuse of authority relating to a federal grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal grant.

The recipient also must inform its employees, in writing (and in the predominant native language of the workforce), of employee rights and remedies under 41 U.S.C. 4712.

Should a question arise as to the applicability of the provisions of 41 U.S.C. 4712 to this award, the recipient is to contact the DOJ awarding agency (OJP or OVW, as appropriate) for guidance.

24. Encouragement of policies to ban text messaging while driving

Pursuant to Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving," 74 Fed. Reg. 51225 (October 1, 2009), DOJ encourages recipients and subrecipients ("subgrantees") to adopt and enforce policies banning employees from text messaging while driving any vehicle during the course of performing work funded by this award, and to establish workplace safety policies and conduct education, awareness, and other outreach to decrease crashes caused by distracted drivers.

25. Cooperating with OJP Monitoring

The recipient agrees to cooperate with OJP monitoring of this award pursuant to OJP's guidelines, protocols, and procedures, and to cooperate with OJP (including the grant manager for this award and the Office of Chief Financial Officer (OCFO)) requests related to such monitoring, including requests related to desk reviews and/or site visits. The recipient agrees to provide to OJP all documentation necessary for OJP to complete its monitoring tasks, including documentation related to any subawards made under this award. Further, the recipient agrees to abide by reasonable deadlines set by OJP for providing the requested documents. Failure to cooperate with OJP's monitoring activities may result in actions that affect the recipient's DOJ awards, including, but not limited to: withholdings and/or other restrictions on the recipient's access to award funds; referral to the DOJ OIG for audit review; designation of the recipient as a DOJ High Risk grantee; or termination of an award(s).

26. FFATA reporting: Subawards and executive compensation

The recipient must comply with applicable requirements to report first-tier subawards ("subgrants") of $25,000 or more and, in certain circumstances, to report the names and total compensation of the five most highly compensated executives of the recipient and first-tier subrecipients (first-tier "subgrantees") of award funds. The details of recipient obligations, which derive from the Federal Funding Accountability and Transparency Act of 2006 (FFATA), are posted on the OJP web site at https://ojp.gov/funding/Explore/FFATA.htm (Award condition: Reporting Subawards and Executive Compensation), and are incorporated by reference here.

This condition, including its reporting requirement, does not apply to-- (1) an award of less than $25,000, or (2) an award made to an individual who received the award as a natural person (i.e., unrelated to any business or non-profit organization that he or she may own or operate in his or her name).

SPECIAL CONDITIONS

27. Use of program income

Program income (as defined in the Part 200 Uniform Requirements) must be used in accordance with the provisions of the Part 200 Uniform Requirements. Program income earnings and expenditures both must be reported on the quarterly Federal Financial Report, SF 425.

28. Justice Information Sharing

In order to promote information sharing and enable interoperability among disparate systems across the justice and public safety community, the recipient (and any subrecipient at any tier) must comply with DOJ's Global Justice Information Sharing Initiative (DOJ's Global) guidelines and recommendations for this particular award. The recipient shall conform to the Global Standards Package (GSP) and all constituent elements, where applicable, as described at: https://it.ojp.gov/gsp_grantcondition. The recipient shall document planned approaches to information sharing and describe compliance to the GSP and appropriate privacy policy that protects shared information, or provide detailed justification for why an alternative approach is recommended.

29. Avoidance of duplication of networks

To avoid duplicating existing networks or IT systems in any initiatives funded by BJA for law enforcement information sharing systems which involve interstate connectivity between jurisdictions, such systems shall employ, to the extent possible, existing networks as the communication backbone to achieve interstate connectivity, unless the recipient can demonstrate to the satisfaction of BJA that this requirement would not be cost effective or would impair the functionality of an existing or proposed IT system.

30. Compliance with 28 C.F.R. Part 23

With respect to any information technology system funded or supported by funds under this award, the recipient (and any subrecipient at any tier) must comply with 28 C.F.R. Part 23, Criminal Intelligence Systems Operating Policies, if OJP determines this regulation to be applicable. Should OJP determine 28 C.F.R. Part 23 to be applicable, OJP may, at its discretion, perform audits of the system, as per the regulation. Should any violation of 28 C.F.R. Part 23 occur, the recipient may be fined as per 42 U.S.C. 3789g(c)-(d). The recipient may not satisfy such a fine with federal funds.

31. Protection of human research subjects

The recipient (and any subrecipient at any tier) must comply with the requirements of 28 C.F.R. Part 46 and all OJP policies and procedures regarding the protection of human research subjects, including obtainment of Institutional Review Board approval, if appropriate, and subject informed consent.

32. Confidentiality of data

The recipient (and any subrecipient at any tier) must comply with all confidentiality requirements of 42 U.S.C. 3789g and 28 C.F.R. Part 22 that are applicable to collection, use, and revelation of data or information. The recipient further agrees, as a condition of award approval, to submit a Privacy Certificate that is in accord with requirements of 28 C.F.R. Part 22 and, in particular, 28 C.F.R. 22.23.

SPECIAL CONDITIONS

33. Verification and updating of recipient contact information

The recipient must verify its Point of Contact(POC), Financial Point of Contact (FPOC), and Authorized Representative contact information in GMS, including telephone number and e-mail address. If any information is incorrect or has changed, a Grant Adjustment Notice (GAN) must be submitted via the Grants Management System (GMS) to document changes.

34. Law enforcement task forces - required training

Within 120 days of award acceptance, each current member of a law enforcement task force funded with award funds who is a task force commander, agency executive, task force officer, or other task force member of equivalent rank, must complete required online (internet-based) task force training. Additionally, all future task force members must complete this training once during the period of performance for this award, or once every four years if multiple OJP awards include this requirement.

The required training is available free of charge online through the BJA-funded Center for Task Force Integrity and Leadership (www.ctfli.org). The training addresses task force effectiveness, as well as other key issues including privacy and civil liberties/rights, task force performance measurement, personnel selection, and task force oversight and accountability. If award funds are used to support a task force, the recipient must compile and maintain a task force personnel roster, along with course completion certificates.

Additional information regarding the training is available through BJA's web site and the Center for Task Force Integrity and Leadership (www.ctfli.org).

35. Required attendance at BJA-sponsored events

The recipient (and its subrecipients at any tier) must participate in BJA-sponsored training events, technical assistance events, or conferences held by BJA or its designees, upon BJA's request.

36. Justification of consultant rate

Approval of this award does not indicate approval of any consultant rate in excess of $650 per day. A detailed justification must be submitted to and approved by the OJP program office prior to obligation or expenditure of such funds.

SPECIAL CONDITIONS

37. Compliance with National Environmental Policy Act and related statutes

Upon request, the recipient (and any subrecipient at any tier) must assist BJA in complying with the National Environmental Policy Act (NEPA), the National Historic Preservation Act, and other related federal environmental impact analyses requirements in the use of these award funds, either directly by the recipient or by a subrecipient. Accordingly, the recipient agrees to first determine if any of the following activities will be funded by the grant, prior to obligating funds for any of these purposes. If it is determined that any of the following activities will be funded by the award, the recipient agrees to contact BJA.

The recipient understands that this condition applies to new activities as set out below, whether or not they are being specifically funded with these award funds. That is, as long as the activity is being conducted by the recipient, a subrecipient, or any third party, and the activity needs to be undertaken in order to use these award funds, this condition must first be met. The activities covered by this condition are:

a. New construction;

b. Minor renovation or remodeling of a property located in an environmentally or historically sensitive area, including properties located within a 100-year flood plain, a wetland, or habitat for endangered species, or a property listed on or eligible for listing on the National Register of Historic Places;

c. A renovation, lease, or any proposed use of a building or facility that will either (a) result in a change in its basic prior use or (b) significantly change its size;

d. Implementation of a new program involving the use of chemicals other than chemicals that are (a) purchased as an incidental component of a funded activity and (b) traditionally used, for example, in office, household, recreational, or education environments; and

e. Implementation of a program relating to clandestine methamphetamine laboratory operations, including the identification, seizure, or closure of clandestine methamphetamine laboratories.

The recipient understands and agrees that complying with NEPA may require the preparation of an Environmental Assessment and/or an Environmental Impact Statement, as directed by BJA. The recipient further understands and agrees to the requirements for implementation of a Mitigation Plan, as detailed at https://bja.gov/Funding/nepa.html, for programs relating to methamphetamine laboratory operations.

Application of This Condition to Recipient's Existing Programs or Activities: For any of the recipient's or its subrecipients' existing programs or activities that will be funded by these award funds, the recipient, upon specific request from BJA, agrees to cooperate with BJA in any preparation by BJA of a national or program environmental assessment of that funded program or activity.

38. Establishment of trust fund

If award funds are being drawn down in advance, the recipient (or a subrecipient, with respect to a subaward) is required to establish a trust fund account. (The trust fund may or may not be an interest-bearing account.) The fund, including any interest, may not be used to pay debts or expenses incurred by other activities beyond the scope of the Edward Byrne Memorial Justice Assistance Grant Program (JAG). The recipient also agrees to obligate the award funds in the trust fund (including any interest earned) during the period of performance for the award and expend within 90 days thereafter. Any unobligated or unexpended funds, including interest earned, must be returned to OJP at the time of closeout.

SPECIAL CONDITIONS

39. Prohibition on use of award funds for match under BVP program

JAG funds may be used to purchase vests for an agency, but they may not be used as the 50% match for purposes of the DOJ Bulletproof Vest Partnership (BVP) program.

40. Certification of body armor "mandatory wear" policies

The recipient agrees to submit a signed certification that all law enforcement agencies receiving body armor purchased with funds from this award have a written "mandatory wear" policy in effect. The recipient must keep signed certifications on file for any subrecipients planning to utilize funds from this award for ballistic-resistant and stab-resistant body armor purchases. This policy must be in place for at least all uniformed officers before any funds from this award may be used by an agency for body armor. There are no requirements regarding the nature of the policy other than it be a mandatory wear policy for all uniformed officers while on duty.

41. Body armor - compliance with NIJ standards

Ballistic-resistant and stab-resistant body armor purchased with JAG award funds may be purchased at any threat level, make or model, from any distributor or manufacturer, as long as the body armor has been tested and found to comply with applicable National Institute of Justice ballistic or stab standards and is listed on the NIJ Compliant Body Armor Model List (https://nij.gov/). In addition, ballistic-resistant and stab-resistant body armor purchased must be American-made. The latest NIJ standard information can be found here: https://nij.gov/topics/technology/body-armor/pages/safety-initiative.aspx.

42. Required monitoring of subawards

The recipient must monitor subawards under this JAG award in accordance with all applicable statutes, regulations, award conditions, and the DOJ Grants Financial Guide, and must include the applicable conditions of this award in any subaward. Among other things, the recipient is responsible for oversight of subrecipient spending and monitoring of specific outcomes and benefits attributable to use of award funds by subrecipients. The recipient agrees to submit, upon request, documentation of its policies and procedures for monitoring of subawards under this award.

43. Reporting requirements

The recipient must submit quarterly Federal Financial Reports (SF-425) and semi-annual performance reports through OJP's GMS (https://grants.ojp.usdoj.gov). Consistent with the Department's responsibilities under the Government Performance and Results Act (GPRA) and the GPRA Modernization Act of 2010, the recipient must provide data that measure the results of its work. The recipient must submit quarterly performance metrics reports through BJA's Performance Measurement Tool (PMT) website (www.bjaperformancetools.org). For more detailed information on reporting and other JAG requirements, refer to the JAG reporting requirements webpage. Failure to submit required JAG reports by established deadlines may result in the freezing of grant funds and future High Risk designation.

44. Required data on law enforcement agency training

Any law enforcement agency receiving direct or sub-awarded funding from this JAG award must submit quarterly accountability metrics data related to training that officers have received on the use of force, racial and ethnic bias, de-escalation of conflict, and constructive engagement with the public.

PROJECT NUMBER 2017-DJ-BX-0158 AWARD DATE 06/26/2018

SPECIAL CONDITIONS

45. Prohibited Expenditures List

Award funds may not be used for items that are listed on the Prohibited Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time. The Prohibited Expenditure List may be accessed here: https://www.bja.gov/funding/JAGControlledPurchaseList.pdf

46. Controlled expenditures - prior written approval required

Award funds may not be used for items that are listed on the Controlled Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time, without explicit written prior approval from BJA. The Controlled Expenditure List, and instructions on how to request approval for purchase or acquisitions are set out at https://www.bja.gov/funding/JAGControlledPurchaseList.pdf

47. Controlled expenditures - incident reporting

If an agency uses award funds to purchase or acquire any item on the Controlled Expenditure List at the time of purchase or acquisition, including as the list may be amended from time to time, the agency must collect and retain (for at least 3 years) certain information about the use of-- (1) any federally-acquired Controlled Equipment in the agency's inventory, and (2) any other controlled equipment in the same category as the federally-acquired controlled equipment in the agency's inventory, regardless of source; and the agency must make that information available to BJA upon request. Details about what information must be collected and retained are set out at https://ojp.gov/docs/LE-Equipment-WG-Final-Report.pdf.

48. Sale of items on Controlled Expenditure List

Notwithstanding the provision of the Part 200 Uniform Requirements set out at 2 C.F.R. 200.313, no equipment listed on the Controlled Expenditure List that is purchased with award funds may be transferred or sold to a third party, except as described below:

a. Agencies may transfer or sell any controlled equipment, except riot helmets and riot shields, to a Law Enforcement Agency (LEA) after obtaining prior written approval from BJA. As a condition of that approval, the acquiring LEA will be required to submit information and certifications to BJA as if it were requesting approval to use award funds for the initial purchase of items on the Controlled Expenditure List.

b. Agencies may not transfer or sell any riot helmets or riot shields purchased under this award.

c. Agencies may not transfer or sell any Controlled Equipment purchased under this award to non-LEAs, with the exception of fixed wing aircraft, rotary wing aircraft, and command and control vehicles. Before any such transfer or sale is finalized, the agency must obtain prior written approval from BJA. All law enforcement-related and other sensitive or potentially dangerous components, and all law enforcement insignias and identifying markings must be removed prior to transfer or sale.

The recipient must notify BJA prior to the disposal of any items on the Controlled Expenditure List purchased with award funds, and must abide by any applicable laws (including regulations) in such disposal.

49. Prohibited or controlled expenditures - Effect of failure to comply

Failure to comply with an award condition related to prohibited or controlled expenditures may result in denial of any further approvals of controlled expenditures under this or other federal awards.

SPECIAL CONDITIONS

50. Controlled expenditures - Standards

Consistent with recommendation 2.1 of Executive Order 13688, a law enforcement agency that acquires controlled equipment with award funds must adopt robust and specific written policies and protocols governing General Policing Standards and Specific Controlled Equipment Standards. General Policing Standards includes policies on (a) Community Policing; (b) Constitutional Policing; and (c) Community Input and Impact Considerations. Specific Controlled Equipment Standards includes policies specifically related to (a) Appropriate Use of Controlled Equipment; (b) Supervision of Use; (c) Effectiveness Evaluation; (d) Auditing and Accountability; and (e) Transparency and Notice Considerations. Upon OJP's request, the recipient must provide a copy of the General Policing Standards and Specific Controlled Equipment Standards, and any related policies and protocols.

51. Authorization to obligate (federal) award funds to reimburse certain project costs incurred on or after October 1, 2016

The recipient may obligate (federal) award funds only after the recipient makes a valid acceptance of the award. As of the first day of the period of performance for the award (October 1, 2016), however, the recipient may choose to incur project costs using non-federal funds, but any such project costs are incurred at the recipient's risk until, at a minimum-- (1) the recipient makes a valid acceptance of the award, and (2) all applicable withholding conditions are removed by OJP (via a Grant Adjustment Notice). (A withholding condition is a condition in the award document that precludes the recipient from obligating, expending, or drawing down all or a portion of the award funds until the condition is removed.)

Except to the extent (if any) that an award condition expressly precludes reimbursement of project costs incurred "at-risk," if and when the recipient makes a valid acceptance of this award and OJP removes each applicable withholding condition through a Grant Adjustment Notice, the recipient is authorized to obligate (federal) award funds to reimburse itself for project costs incurred "at-risk" earlier during the period of performance (such as project costs incurred prior to award acceptance or prior to removal of an applicable withholding condition), provided that those project costs otherwise are allowable costs under the award.

Nothing in this condition shall be understood to authorize the recipient (or any subrecipient at any tier) to use award funds to "supplant" State or local funds in violation of the recipient's certification (executed by the chief executive of the State or local government) that federal funds will be used to increase the amounts of such funds that would, in the absence of federal funds, be made available for law enforcement activities.

52. "Certification of Compliance with 8 U.S.C. 1373" required for valid award acceptance by a unit of local government

In order validly to accept this award, the applicant local government must submit the required "Certification of Compliance with 8 U.S.C. 1373" (executed by the chief legal officer of the local government). Unless that executed certification either-- (1) is submitted to OJP together with the fully-executed award document, or (2) is uploaded in OJP's GMS no later than the day the signed award document is submitted to OJP, any submission by a unit of local government that purports to accept the award is invalid.

If an initial award-acceptance submission by the recipient is invalid, once the unit of local government does submit the necessary certification regarding 8 U.S.C. 1373, it may submit a fully-executed award document executed by the unit of local government on or after the date of that certification.

For purposes of this condition, "local government" does not include any Indian tribes.

SPECIAL CONDITIONS

53. Ongoing compliance with 8 U.S.C. 1373 is required

1. With respect to the "program or activity" funded in whole or part under this award (including any such "program or activity" of any subrecipient at any tier), throughout the period of performance for the award, no State or local government entity, -agency, or -official may prohibit or in any way restrict-- (1) any government entity or -official from sending or receiving information regarding citizenship or immigration status as described in 8 U.S.C. 1373(a); or (2) a government entity or -agency from sending, requesting or receiving, maintaining, or exchanging information regarding immigration status as described in 8 U.S.C. 1373(b). For purposes of this award, any prohibition (or restriction) that violates this condition is an "information-communication restriction."

2. Certifications from subrecipients. The recipient may not make a subaward to a State or local government or a "public" institution of higher education, unless it first obtains a certification of compliance with 8 U.S.C. 1373, properly executed by the chief legal officer of the jurisdiction or institution that would receive the subaward, using the appropriate form available at https://ojp.gov/funding/Explore/SampleCertifications-8USC1373.htm. Similarly, the recipient must require that no subrecipient (at any tier) may make a further subaward to a State or local government or a "public" institution of higher education, unless it first obtains a certification of compliance with 8 U.S.C. 1373, properly executed by the chief legal officer of the jurisdiction or institution that would receive the further subaward, using the appropriate OJP form.

3. The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

4. Allowable costs. Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) that the recipient, or any subrecipient at any tier that is a State or local government or a "public" institution of higher education, incurs to implement this condition.

5. Rules of Construction

A. For purposes of this condition:

(1) "State" and "local government" include any agency or other entity thereof, but not any institution of higher education or any Indian tribe.

(2) A "public" institution of higher education is one that is owned, controlled, or directly funded by a State or local government.

(3) "Program or activity" means what it means under title VI of the Civil Rights Act of 1964 (see 42 U.S.C. 2000d-4a).

(4) "Immigration status" means what it means for purposes of 8 U.S.C. 1373 (Illegal Immigration Reform and Immigrant Responsibility Act of 1996); and terms that are defined in 8 U.S.C. 1101 (Immigration and Nationality Act) mean what they mean under that section 1101, except that the term "State" also shall include American Samoa (cf. 42 U.S.C. 901(a)(2)).

(5) Pursuant to the provisions set out at (or referenced in) 8 U.S.C. 1551 note ("Abolition … and Transfer of Functions"), references to the "Immigration and Naturalization Service" in 8 U.S.C. 1373 are to be read as references to particular components of the Department of Homeland Security (DHS).

B. Nothing in this condition shall be understood to authorize or require any recipient, any subrecipient at any tier, any State or local government, any "public" institution of higher education, or any other entity (or individual) to violate any federal law, including any applicable civil rights or nondiscrimination law.

SPECIAL CONDITIONS

IMPORTANT NOTE: Any questions about the meaning or scope of this condition should be directed to OJP, before award acceptance.

54. Authority to obligate award funds contingent on compliance with 8 U.S.C. 1373; unallowable costs; obligation to notify

1. If the recipient is a State or local government--

A. The recipient may not obligate award funds if, at the time of the obligation, the "program or activity" of the recipient (or of any subrecipient at any tier that is a either a State or unit of local government or a "public" institution of higher education) that is funded in whole or in part with award funds is subject to any "information-communication restriction."

B. In addition, with respect to any project costs it incurs "at risk," the recipient may not obligate award funds to reimburse itself if -- at the time it incurs such costs -- the "program or activity" of the recipient (or of any subrecipient at any tier that is a either a State or unit of local government or a "public" institution of higher education) that would be reimbursed in whole or in part with award funds was subject to any "information-communication restriction."

C. Any drawdown of award funds by the recipient shall be considered, for all purposes, to be a material representation by the recipient to OJP that, as of the date the recipient requests the drawdown, the recipient and all subrecipients (regardless of tier) are in compliance with 8 U.S.C. 1373.

D. The recipient must promptly notify OJP (in writing) if the recipient, from its requisite monitoring of compliance with award conditions or otherwise, has credible evidence that indicates that the funded "program or activity" of the recipient, or of any subrecipient at any tier that is either a State or a local government or a "public" institution of higher education, may be subject to any "information-communication restriction." In addition, any subaward (at any tier) to a subrecipient that is either a State or a local government or a "public" institution of higher education must require prompt notification to the entity that made the subaward, should the subrecipient such credible evidence regarding an "information-communication restriction."

2. Any subaward (at any tier) to a subrecipient that is either a State or a local government or a "public" institution of higher education must provide that the subrecipient may not obligate award funds if, at the time of the obligation, the "program or activity" of the subrecipient (or of any further such subrecipient at any tier) that is funded in whole or in part with award funds is subject to any "information-communication restriction."

3. Absent an express written determination by DOJ to the contrary, based upon a finding by DOJ of compelling circumstances (e.g., a small amount of award funds obligated by the recipient at the time of a subrecipient's minor and transitory non-compliance, which was unknown to the recipient despite diligent monitoring), any obligations of award funds that, under this condition, may not be made shall be unallowable costs for purposes of this award. In making any such determination, DOJ will give great weight to evidence submitted by the recipient that demonstrates diligent monitoring of subrecipient compliance with the requirements set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required."

4. Rules of Construction

A. For purposes of this condition "information-communication restriction" has the meaning set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required."

B. Both the "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

SPECIAL CONDITIONS

55. Required State-level rules or practices related to aliens; allowable costs

The following provisions apply to the recipient of this award, if the recipient is a State government, and also apply to any State-government subrecipient at any tier (whether or not the recipient is a State government).

1. Requirements

With respect to the "program or activity" that is funded (in whole or in part) by this award, as of the date the recipient accepts this award, and throughout the remainder of the period of performance for the award--

A. A State statute, or a State rule, -regulation, -policy, or -practice, must be in place that is designed to ensure that agents of the United States acting under color of federal law in fact are given to access any State (or State-contracted) correctional facility for the purpose of permitting such agents to meet with individuals who are (or are believed by such agents to be) aliens and to inquire as to such individuals' right to be or remain in the United States.

B. A State statute, or a State rule, -regulation, -policy, or -practice, must be in place that is designed to ensure that, when a State (or State-contracted) correctional facility receives from DHS a formal written request authorized by the Immigration and Nationality Act that seeks advance notice of the scheduled release date and time for a particular alien in such facility, then such facility will honor such request and -- as early as practicable (see para. 4.B. of this condition) -- provide the requested notice to DHS.

2. Monitoring

The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

3. Allowable costs

Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) of-- (1) developing and putting into place statutes, rules, regulations, policies, and practices to satisfy this condition, and (2) permitting access as described in para. 1.A. above, and (3) honoring any request from DHS that is encompassed by para. 1.B. above.

4. Rules of construction

A. For purposes of this condition--

(1) the term "alien" means what it means under section 101 of the Immigration and Nationality Act (see 8 U.S.C. 1101(a)(3)).

(2) the term "correctional facility" means what it means under the Title I of the Omnibus Crime Control and Safe Streets Act of 1968 (see 42 U.S.C. 3791(a)(7)).

B. Nothing in this condition shall be understood to authorize or require any recipient, any subrecipient at any tier, any State or local government, or any other entity or individual to maintain (or detain) any individual in custody beyond the date and time the individual would have been released in the absence of this condition.

Current DHS practice is ordinarily to request advance notice of scheduled release "as early as practicable (at least 48 hours, if possible)." (See DHS Form I-247A (3/17)). In the event that (e.g., in light of the date DHS made such request) the scheduled release date and time for an alien are such as not to permit the advance notice that DHS has requested, it shall not be a violation of this condition to provide only as much advance notice as practicable.

SPECIAL CONDITIONS

NOTE: Current DHS practice is to use one form (DHS Form I-247A (3/17)) for two distinct purposes -- to request advance notice of scheduled release, and to request that an individual be detained for up to 48 hours AFTER the scheduled release. This condition imposes NO requirements as to such DHS requests for detention.

C. Both the "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

56. Required local-government-level rules or practices related to aliens; allowable costs

The following provisions apply to the recipient of this award, if the recipient is a unit of local government, and also apply to any local-government subrecipient of this award at any tier (whether or not the recipient itself is a unit of local government).

1. Requirements

With respect to the "program or activity" that is funded (in whole or in part) by this award, as of the date the recipient accepts this award, and throughout the remainder of the period of performance for the award--

A. A local ordinance, -rule, -regulation, -policy, or -practice (or an applicable State statute, -rule, -regulation, -policy, or -practice) must be in place that is designed to ensure that agents of the United States acting under color of federal law in fact are given access a local-government (or local-government-contracted) correctional facility for the purpose of permitting such agents to meet with individuals who are (or are believed by such agents to be) aliens and to inquire as to such individuals' right to be or remain in the United States.

B. A local ordinance, -rule, -regulation, -policy, or -practice (or an applicable State statute, -rule, -regulation, -policy, or -practice) must be in place that is designed to ensure that, when a local-government (or local-government-contracted) correctional facility receives from DHS a formal written request authorized by the Immigration and Nationality Act that seeks advance notice of the scheduled release date and time for a particular alien in such facility, then such facility will honor such request and -- as early as practicable (see "Rules of Construction" incorporated by para. 4.B. of this condition) -- provide the requested notice to DHS.

2. Monitoring

The recipient's monitoring responsibilities include monitoring of subrecipient compliance with the requirements of this condition.

3. Allowable costs

Compliance with these requirements is an authorized and priority purpose of this award. To the extent that such costs are not reimbursed under any other federal program, award funds may be obligated (including for authorized reimbursements) for the reasonable, necessary, and allocable costs (if any) of-- (1) developing and putting into place statutes, ordinances, rules, regulations, policies, and practices to satisfy this condition, (2) permitting access as described in para. 1.A. above, and (3) honoring any request from DHS that is encompassed by para. 1.B. above.

4. Rules of construction

A. The "Rules of Construction" and the "Important Note" set out in the award condition entitled "Ongoing compliance with 8 U.S.C. 1373 is required" are incorporated by reference as though set forth here in full.

B. The "Rules of Construction" set out in the award condition entitled "Required State-level rules or practices related to aliens; allowable costs" are incorporated by reference as though set forth here in full.

PROJECT NUMBER 2017-DJ-BX-0158 AWARD DATE 06/26/2018

SPECIAL CONDITIONS

57. Use of funds for DNA testing; upload of DNA profiles

If award funds are used for DNA testing of evidentiary materials, any resulting eligible DNA profiles must be uploaded to the Combined DNA Index System ("CODIS," the DNA database operated by the FBI) by a government DNA laboratory with access to CODIS.

No profiles generated under this award may be entered or uploaded into any non-governmental DNA database without prior express written approval from BJA.

Award funds may not be used for the purchase of DNA equipment and supplies unless the resulting DNA profiles may be accepted for entry into CODIS.

58. Encouragement of submission of "success stories"

BJA strongly encourages the recipient to submit annual (or more frequent) JAG success stories. To submit a success story, sign in to a My BJA account at https://www.bja.gov/Login.aspx to access the Success Story Submission form. If the recipient does not yet have a My BJA account, please register at https://www.bja.gov/profile.aspx. Once registered, one of the available areas on the My BJA page will be "My Success Stories." Within this box, there is an option to add a Success Story. Once reviewed and approved by BJA, all success stories will appear on the BJA Success Story web page at https://www.bja.gov/SuccessStoryList.aspx.

59. Requirement to disclose whether recipient is designated "high risk" by a federal grant-making agency outside of DOJ

If the recipient is designated "high risk" by a federal grant-making agency outside of DOJ, currently or at any time during the course of the period of performance under this award, the recipient must disclose that fact and certain related information to OJP by email at OJP.ComplianceReporting@ojp.usdoj.gov. For purposes of this disclosure, high risk includes any status under which a federal awarding agency provides additional oversight due to the recipient's past performance, or other programmatic or financial concerns with the recipient. The recipient's disclosure must include the following: 1. The federal awarding agency that currently designates the recipient high risk, 2. The date the recipient was designated high risk, 3. The high-risk point of contact at that federal awarding agency (name, phone number, and email address), and 4. The reasons for the high-risk status, as set out by the federal awarding agency.

60. Reclassification of various statutory provisions to a new Title 34 of the United States Code

On September 1, 2017, various statutory provisions previously codified elsewhere in the U.S. Code were editorially reclassified to a new Title 34, entitled "Crime Control and Law Enforcement." The reclassification encompassed a number of statutory provisions pertinent to OJP awards (that is, OJP grants and cooperative agreements), including many provisions previously codified in Title 42 of the U.S. Code.

Effective as of September 1, 2017, any reference in this award document to a statutory provision that has been reclassified to the new Title 34 of the U.S. Code is to be read as a reference to that statutory provision as reclassified to Title 34. This rule of construction specifically includes references set out in award conditions, references set out in material incorporated by reference through award conditions, and references set out in other award requirements.

61. Withholding of funds: Memorandum of Understanding

The recipient may not obligate, expend, or draw down any award funds until OJP has reviewed and approved the Memorandum of Understanding (MOU), and a Grant Adjustment Notice (GAN) has been issued to remove this condition.

U.S. Department of Justice

Office of Justice Programs

Bureau of Justice Assistance

Washington, D.C. 20531

Memorandum To: Official Grant File

From: Orbin Terry, NEPA Coordinator

Subject: Incorporates NEPA Compliance in Further Developmental Stages for City of Hattiesburg

The Edward Byrne Memorial Justice Assistance Grant Program (JAG) allows states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system, some of which could have environmental impacts. All recipients of JAG funding must assist BJA in complying with NEPA and other related federal environmental impact analyses requirements in the use of grant funds, whether the funds are used directly by the grantee or by a subgrantee or third party. Accordingly, prior to obligating funds for any of the specified activities, the grantee must first determine if any of the specified activities will be funded by the grant.

The specified activities requiring environmental analysis are:
a. New construction;
b. Any renovation or remodeling of a property located in an environmentally or historically sensitive area, including properties located within a 100-year flood plain, a wetland, or habitat for endangered species, or a property listed on or eligible for listing on the National Register of Historic Places;
c. A renovation, lease, or any proposed use of a building or facility that will either (a) result in a change in its basic prior use or (b) significantly change its size;
d. Implementation of a new program involving the use of chemicals other than chemicals that are (a) purchased as an incidental component of a funded activity and (b) traditionally used, for example, in office, household, recreational, or education environments; and
e. Implementation of a program relating to clandestine methamphetamine laboratory operations, including the identification, seizure, or closure of clandestine methamphetamine laboratories.

Complying with NEPA may require the preparation of an Environmental Assessment and/or an Environmental Impact Statement, as directed by BJA. Further, for programs relating to methamphetamine laboratory operations, the preparation of a detailed Mitigation Plan will be required. For more information about Mitigation Plan requirements, please see https://www.bja.gov/Funding/nepa.html.

Please be sure to carefully review the grant conditions on your award document, as it may contain more specific information about environmental compliance.

U.S. Department of Justice
Office of Justice Programs

Bureau of Justice Assistance

GRANT MANAGER'S MEMORANDUM, PT. I: PROJECT SUMMARY

Grant

PROJECT NUMBER	
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This project is supported under FY17(BJA - JAG State and JAG Local) Title I of Pub. L. No. 90-351 (generally codified at 42 U.S.C. 3711 - 3797ff-5), including subpart 1 of part E (codified at 42 U.S.C. 3750 - 3758); see also 28 U.S.C. 530C(a).

1. STAFF CONTACT (Name & telephone number)

Linda L. Hill
(202) 353-9196

2. PROJECT DIRECTOR (Name, address & telephone number)

Lindsay Coleman
Grant Coordinator
P.O. Box 1898
Hattiesburg, MS 39403-1898
(601) 545-6623

3a. TITLE OF THE PROGRAM

BJA FY 17 Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Local Solicitation

3b. POMS CODE (SEE INSTRUCTIONS ON REVERSE)

4. TITLE OF PROJECT

JAG Grant Project 2017

5. NAME & ADDRESS OF GRANTEE

City of Hattiesburg
P.O. Box 1898
Hattiesburg, MS 39403-1898

6. NAME & ADRESS OF SUBGRANTEE

7. PROGRAM PERIOD

FROM: 10/01/2016 TO: 09/30/2020

8. BUDGET PERIOD

FROM: 10/01/2016 TO: 09/30/2020

9. AMOUNT OF AWARD

$ 18,795

10. DATE OF AWARD

06/26/2018

11. SECOND YEAR'S BUDGET

12. SECOND YEAR'S BUDGET AMOUNT

13. THIRD YEAR'S BUDGET PERIOD

14. THIRD YEAR'S BUDGET AMOUNT

15. SUMMARY DESCRIPTION OF PROJECT (See instruction on reverse)

The Edward Byrne Memorial Justice Assistance Grant Program (JAG) allows states and units of local government, including tribes, to support a broad range of criminal justice related activities based on their own state and local needs and conditions. Grant funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice, including for any one or more of the following purpose areas: 1) law enforcement programs; 2) prosecution and court programs; 3) prevention and education programs; 4) corrections and community corrections programs; 5) drug treatment and enforcement programs; 6) planning, evaluation, and technology improvement programs; 7) crime victim and witness programs (other than compensation); and 8) mental health programs and related law enforcement and corrections programs, including behavioral programs and crisis intervention teams.

This Local JAG award will be shared by the County and one or more jurisdictions identified as disparate within the current Fiscal Year eligibility list (www.bja.gov/Jag). JAG funding will be used to support criminal justice initiatives that fall under one or more of the allowable program areas above. Any equipment purchases or funded initiatives such as overtime, task forces, drug programs, information sharing, etc. will be aimed at reducing crime and/or enhancing public/officer safety.

NCA/NCF