



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

To the Mayor and Members of the City Council:

We have audited the financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2019, and have issued our report thereon dated June 24, 2020. 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 October 16, 2019, 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 material weaknesses over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated June 24, 2020.

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.



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To the Mayor and Members of the City Council
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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, Mississippi is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the entity changed its method of accounting for asset retirement obligations by adopting Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and disclosures related to debt by adopting GASB Statement No. 88, *Certain Disclosures Related to Debt*. 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 basic 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 basic 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 receivables 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 basic 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 19 of the financial statements. We relied on the actuarial calculations in reporting the annual OPEB cost and the total OPEB liability.
- The disclosure of the Defined Benefit Pension Plans in Note 20 of the financial statements. We relied on the actuarial calculations in reporting the net pension liability for the PERS and PFDR plans.

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Significant Difficulties Encountered during the Audit

Although we received the full cooperation of management and believe that we were given direct and unrestricted access to the City of Hattiesburg's books and records, as in the prior year, we continued to encounter significant difficulties in performing and completing the audit process. Principally, these difficulties related to the constraints of the primary accounting software system and various subsidiary records maintained on separate software systems.

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. Material misstatements that we identified as a result of our audit procedures and brought to the attention of, and corrected by, management 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 were included in a separate management representation letter signed by the City Clerk and dated June 24, 2020.

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 the City of Hattiesburg's auditors.

We were engaged to report on Schedules 7 through 23, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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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 and the City Council in a separate correspondence dated June 24, 2020.

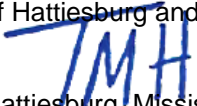
Additionally, we have the following recommendations:

- 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.
- 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.

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

We identified certain 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. These were communicated in the Schedule of Findings and Questioned Costs in the audit report and in a separate communication to the Mayor and City Council dated June 24, 2020.

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


Hattiesburg, Mississippi
June 24, 2020