

**CITY OF NORTH CHARLESTON,
SOUTH CAROLINA**

**SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS**

YEAR ENDED JUNE 30, 2011

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Disbursements/ Expenditures	
U.S. Department of Housing & Urban Development:				
Passed-Through Charleston County:				
ARRA- Community Development	14.253	B09MC450005	\$ 152,421	
Community Development	14.218	B04MC450005	52,220	
Community Development	14.218	B05MC450005	121,616	
Community Development	14.218	B06MC450005	19,839	
Community Development	14.218	B07MC450005	148,881	
Community Development	14.218	B08MC450005	279,225	
Community Development	14.218	B09MC450005	458,955	
Community Development	14.218	B10MC450005	516,803	\$ 1,749,960
HOME Program	14.239	M05MC450204	1,230	
HOME Program	14.239	M06MC450204	11,710	
HOME Program	14.239	M07MC450204	350	
HOME Program	14.239	M08MC450204	149,110	
HOME Program	14.239	M09MC450204	286,246	
HOME Program	14.239	M10MC450204	32,767	481,413
Total U.S. Department of Housing & Urban Development:				<u>2,231,373</u>
U.S. Department of Justice:				
Direct Programs:				
Weed & Seed Program	16.595	2009WS-QX-0033	39,525	
Weed & Seed Program	16.595	2010WS-QX-0003	91,891	131,416
Justice Assistance Grant	16.738	2007-DJ-BX-1072	10,041	
Justice Assistance Grant	16.738	2008-DJ-BX-0594	20,312	
Justice Assistance Grant	16.738	2009-DJ-BX-0826	61,429	
Justice Assistance Grant	16.738	2010-DJ-BX-0917	184,263	276,045
Bulletproof Vests Program	16.607	BA-3A005-5M01		18,414
ARRA- Justice Assistance Grant Recovery Act	16.804	2009-SB-B9-1490		141,223
ARRA- BJA Byrne Competitive Recovery Act	16.808	2009-SC-B9-0112		419,508
ARRA-COPS Hiring Recovery Act Program	16.710	2009-RK-WX-0743		805,330
COPS-Secure Our Schools	16.710	2010-CK-WX-0741		345,155
Passed through S.C. Department of Public Safety:				
OFP Hispanic Victim Advocate Grant	16.801	1VS09003		68,834
OFP Court System Efficiency Grant	16.738	1G09010		<u>212,720</u>
Total U.S. Department of Justice:				2,418,645
U.S. Department of Energy:				
Direct Programs:				
ARRA- Energy Efficiency & Conservation BG	81.128	DE-SC0002301		<u>419,552</u>
U.S. Environmental Protection Agency				
Direct Programs:				
Brownsfield Assessment & Cleanup	66.818	BF-95445209	\$	<u>163,284</u>

(Continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Disbursements/ Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-03411	\$ 140,236
Assistance to Firefighters Grant	97.044	EMW-2010-FO-07816	<u>32,555</u> \$ 172,791
Passed Through the State of South Carolina:			
Low Country Regional Analyst (Seahawk)	96.067	9SHSP22	90,415
Port Security Grant	97.056	10PSGP03	<u>81,837</u>
Total U.S. Department of Homeland Security:			<u>345,043</u>
U.S. Department of Agriculture:			
Passed Through the State of South Carolina:			
Summer Feeding	10.559	SF-107	120,398
Passed through ARRA- SC Forrestry Commission	10.688	09ARRA23	<u>17,879</u>
Total U.S. Department of Agriculture:			<u>138,277</u>
U.S. Department of Transportation:			
Passed Through S.C. Department of Public Safety:			
High Crash & Pedestrian Safety Grant	20.600	2H10022	27,993
Passed through S.C. Department of Transportation:			
Enhancement Grant Aviation Ave Landscape & Irrigation	20.219	FPA-17-10	90,000
Enhancement Grant Remount Rd Landscape & Irrigation	20.219	FPA-18-10	90,000
Enhancement Highway 78 Tree Plant	20.219	ENH-FPA-34-10	60,000
Enhancement Patriot Boulevard	20.219	PCN40555	<u>3,860</u> 243,860
Total U.S. Department of Transportation:			<u>271,853</u>
U S Department of Education:			
Passed Through the State of South Carolina:			
ARRA- SC Arts Commission	84.397	FY11-GOS/GVT-14418	<u>12,038</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 6,000,065</u></u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

A – General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of North Charleston, South Carolina (the "City") for the year ended June 30, 2011. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting.

C – Relationship to Financial Statements

Federal award expenditures are reported in the City's financial statements primarily as expenditures in the General Fund and Special Revenue Funds.

D – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E – Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

F – Sub-recipients

Of the federal expenditures presented in the accompanying Schedule, the City provided federal awards to sub-recipients as follow:

CFDA #	Grant Name	Grant Number	Amount Disbursed
14.239	HOME Program	M09MC450204	\$ 75,000
14.218	Community Development	B06MC450005	310
14.218	Community Development	B07MC450005	10,464
14.218	Community Development	B08MC450005	279,225
14.218	Community Development	B09MC450005	108,962
14.218	Community Development	B10MC450005	269,184
16.595	Weed and Seed	2009-WS-QX-0033	10,700
16.595	Weed and Seed	2010-WS-QX-0003	18,228
16.710	COPS - Secure Our Schools	2010-CK-WX-0741	345,155
16.738	Justice Assistance Grant	2009-DJ-BX-0826	57,631
16.738	Justice Assistance Grant	2010-DJ-BX-0917	59,982
16.804	ARRA-Justice Assistance Recovery Act Grant	2009-SB-B9-1490	131,738
			<u>\$ 1,366,579</u>

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

The Honorable Mayor and Members of City Council
City of North Charleston
North Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

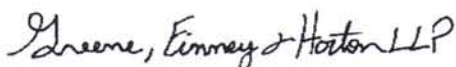
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 basic 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the City, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 28, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members of City Council
City of North Charleston
North Charleston, South Carolina

Compliance

We have audited the compliance of City of North Charleston, South Carolina (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 28, 2011

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2011

Findings – 2010 Financial Statements Audit:

Finding 2010-1 **Donated Assets**

Condition: During GF&H's review of the City Council minutes and the City's capital asset records, it was noted that the City has not recorded all of its donated assets at fair market value and that the \$3,500,000 land purchase by Charleston County on the City's behalf for the Northside Drive Project was not recorded.

Criteria: Donated assets should be reported at its estimated fair value at the time of acquisition. Fair value is the amount the asset could be exchanged for in a current transaction between willing parties, other than in a forced or liquidation sale.

Status: The City has taken appropriate corrective action for the above condition.

Finding 2010-2 **Internal Controls Relating to Bank Reconciliations / Bank Transfers**

Condition & Context: Bank reconciliations are being performed by the Director of Administration and Finance; however, there is no formal review of these reconciliations. Additionally, bank wire transfers from the South Carolina Local Government Investment Pool (SCLGIP) are performed by any one of the three finance staff, to any account, without an additional signature or confirmation.

Criteria: Adequate internal controls, including segregation of duties, should be in place to prevent fraud or misuse of City assets.

Status: The City has taken appropriate corrective action for the above condition.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.804	ARRA - Justice Assistance Grant Recovery Act
16.808	ARRA - BJA Byrne Competitive Recovery Act
16.710	ARRA - COPS Hiring Recovery Act Program
81.128	ARRA - Energy Efficiency & Conservation
14.239	HOME Program

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 300,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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Section II - Findings - Current Year Financial Statements Audit

No matters to report.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.