CITY OF NORTH CHARLESTON,
SOUTH CAROLINA

SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2016
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, 2016

| Federal Grantor/ | Federal | Federal or | Disbursements/ | Disbursements to |
| Pass-Through Grantor | CFDA | State ID | Expenditures | Subrecipients |
| Program Title | Number | Number | | |

U.S. Department of Housing & Urban Development:
Passed Through Charleston County:
Community Development 14.218 B12UC4500002 317,867 $ -
Community Development 14.218 B13UC4500002 80,794 -
Community Development 14.218 B14UC4500002 2,319 $ 400,980 -

HOME Program 14.239 M10UC450204 60,716 60,716 -
HOME Program 14.239 M11UC450204 74,870 74,870 -
HOME Program 14.239 M12UC450204 12,560 148,146 -

Total U.S. Department of Housing & Urban Development 549,126 -

U.S. Department of Justice:
Direct Programs:
Justice Assistance Grant 16.738 2012-DJ-BX-0997 1,801 -
Justice Assistance Grant 16.738 2013-DJ-BX-0511 954 -
Justice Assistance Grant 16.738 2014-DJ-BX-0015 375 3,130 -

Joint Law Enforcement Operations 16.111 JLEOTFS4 1,591 -
North Charleston Domestic Abuse Response Team 16.575 1V151222 13,495 -
North Charleston Domestic Violence Transportation 16.575 1V141161 19,900 -
Equitable Sharing Program 16.922 SC0100800 7,795 -
Bulletproof Vests Program 16.607 BA-3A0005-SM01 5,047 -
COPS Hiring Program 16.710 2015UMWX0124 280,406 -

Total U.S. Department of Justice 331,364 -

U.S. Department of Transportation:
National Highway Traffic Administration
Passed Through S.C. Department of Public Safety:
OSIS Specialized Enforcement Team 20.600 PT-2015-HS-13-15 137,336 -

U.S. Department of Homeland Security:
Direct Programs:
Port Security Grant 97.056 VW-2014-PU-00425-S01 55,892 -

Staffing for Adequate Fire & Emergency Response 97.083 EMW-2013-FH-00266 692,285 -

Total U.S. Department of Homeland Security 748,177 -

U.S. Department of Agriculture:
Passed Through the State of South Carolina:
Summer Feeding 10.559 SF-107 111,949 -

U.S. Department of Treasury:
Direct Programs:
Equitable Sharing Program 21.000 SC0100800 6,164 -

Total Expenditures of Federal Awards $ 1,884,116 $ 135,586
CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

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, 2016. 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 – Indirect Costs

The City elected not to use the de minimis indirect cost rate of 10%.
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

INDEPENDENT AUDITOR’S REPORT

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

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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
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.

[Signature]
Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 27, 2016
INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of North Charleston, South Carolina’s (the “City”) compliance with the types of compliance requirements described in the OMB 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, 2016. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs 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’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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2016.
Report on Internal Control Over Compliance

Management of the City 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’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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’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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2016, and have issued our report thereon dated October 27, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 27, 2016
2015-001: Allowable Costs/Cost Principles: Payroll Benefits

Federal Agency: US Department of Homeland Security
CFDA #: 97.083
Pass-Through Grantor’s Number: EMW-2013-FH-00266
Award Year: 2014-2015

Condition: The City claimed reimbursement for healthcare costs in excess of allowable costs covered by the SAFER grant.

Criteria: The City should have effective internal controls in place to ensure that only allowable costs are claimed for reimbursement.

Status: The City notified FEMA of the amount claimed for reimbursement in error and corrected the error on the subsequent reimbursement request. The City also implemented an additional control to ensure that health insurance expenditures are adjusted to actual expenditures prior to each request for reimbursement.
CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements
Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No
Noncompliance material to financial statements noted? Yes No

Federal Awards
Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)? Yes No

Identification of major programs

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<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
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<tr>
<td>97.083</td>
<td>Staffing for Adequate Fire and Emergency Response</td>
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</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? Yes No

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.