CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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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

The Honorable Mayor and Members
of the City Council
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, 2019, 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 24, 2019.

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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Savannah, Georgia
October 24, 2019
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and Members
of the City Council
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, 2019. 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, 2019.

**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 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'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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated October 24, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The 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 as a whole.

Savannah, Georgia
October 24, 2019

Mauldin & Jenkins, LLC
### U.S. DEPARTMENT OF AGRICULTURE

**Passed through S.C. Department of Education**

- **Child Nutrition Cluster**
  - Summer Food Service Program for Children
    - Federal CFDA Number: 10.559
    - Agency or Pass-through Identifying Number: SF-107
    - Federal Expenditures: $70,195

**Total U.S. Department of Agriculture**

- Federal Expenditures: $70,195

### U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**Direct**

- **CDBG - Entitlement Grants Cluster**
  - Community Development Block Grant/Entitlement Grants
    - Federal CFDA Number: 14.218
    - Agency or Pass-through Identifying Number: B14UC450002
    - Federal Expenditures: $17,320
  - Community Development Block Grant/Entitlement Grants
    - Federal CFDA Number: 14.218
    - Agency or Pass-through Identifying Number: B15UC450002
    - Federal Expenditures: $143,355
  - Community Development Block Grant/Entitlement Grants
    - Federal CFDA Number: 14.218
    - Agency or Pass-through Identifying Number: B16UC450002
    - Federal Expenditures: $207,014
  - Community Development Block Grant/Entitlement Grants
    - Federal CFDA Number: 14.218
    - Agency or Pass-through Identifying Number: B17UC450002
    - Federal Expenditures: $69,011
  - Community Development Block Grant/Entitlement Grants
    - Federal CFDA Number: 14.218
    - Agency or Pass-through Identifying Number: B18UC450002
    - Federal Expenditures: $96,915

**Total CDBG - Entitlement Grants Cluster**

- Federal Expenditures: $533,615

- Home Investment Partnerships Program
  - Federal CFDA Number: 14.239
  - Agency or Pass-through Identifying Number: M-18-MC-45-0201
  - Federal Expenditures: $4,241

- Home Investment Partnerships Program
  - Federal CFDA Number: 14.239
  - Agency or Pass-through Identifying Number: M-17-MC-45-0201
  - Federal Expenditures: $772

**Total HOME Investment Partnerships Program**

- Federal Expenditures: $5,013

**Total U.S. Department of Housing and Urban Development**

- Federal Expenditures: $538,628

### U.S. DEPARTMENT OF JUSTICE

**Direct**

- COPS Hiring Program
  - Federal CFDA Number: 16.710
  - Agency or Pass-through Identifying Number: 2015UMWX0124
  - Federal Expenditures: $450,249

- Equitable Sharing Program
  - Federal CFDA Number: 16.922
  - Agency or Pass-through Identifying Number: SC0100800
  - Federal Expenditures: $30,257

**Passed through S.C. Department of Public Safety**

- 2017 Edward Byrne Memorial Justice Assistance Grant
  - Federal CFDA Number: 16.738
  - Agency or Pass-through Identifying Number: 2017-DJ-BX-0565
  - Federal Expenditures: $58,943

**Total U.S. Department of Justice**

- Federal Expenditures: $539,449
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### U.S. DEPARTMENT OF TRANSPORTATION

Passed through S.C. Department of Public Safety

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number</th>
<th>Identifying Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHSJP DUI Team</td>
<td>20.600</td>
<td>M4HVE-2018-HS-24-19</td>
<td>174,743</td>
</tr>
<tr>
<td>Total Highway Safety Cluster</td>
<td></td>
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<td>246,434</td>
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</table>

Passed Through Charleston Area Regional Transportation Authority

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number</th>
<th>Identifying Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Transit-Capital Investment Grants</td>
<td>20.500</td>
<td>SC-04-0010-00</td>
<td>257,837</td>
</tr>
<tr>
<td>Federal Transit-Capital Investment Grants</td>
<td>20.500</td>
<td>SC-030-0027-01</td>
<td>4,700,000</td>
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<tr>
<td>Total Federal Transit Grant Program</td>
<td></td>
<td></td>
<td>4,957,837</td>
</tr>
</tbody>
</table>

Total U.S. Department of Transportation

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,204,271</td>
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</tbody>
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### U.S. DEPARTMENT OF HOMELAND SECURITY

Direct

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number</th>
<th>Identifying Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disaster Grants Public Assistance</td>
<td>97.036</td>
<td>FEMA 4166-PA-SC</td>
<td>11,373</td>
</tr>
</tbody>
</table>

Passed through South Carolina Department of Natural Resources

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number</th>
<th>Identifying Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flood Mitigation and Assistance Grant Program</td>
<td>97.029</td>
<td>EMA-2017-FM-E0001</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Total U.S. Department of Homeland Security

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>36,373</td>
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</tbody>
</table>

Total Federal Expenditures

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,388,916</td>
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</table>

Total Federal Awards Passed Through to Subrecipients

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
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</tbody>
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See accompanying notes to the Schedule of Expenditures of Federal Awards.
NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of North Charleston, South Carolina (the “City”), and is presented on the accrual basis of accounting. The City reporting entity is defined in Note 1 of the City’s basic financial statements.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $750,000, or 3% of total federal expenditures. The threshold of $750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk-based approach was used in the selection of federal programs to be tested as major programs. The City of North Charleston did not qualify as a low-risk auditee for the fiscal year ended June 30, 2019.

De-Minimis Indirect Cost Rate

During 2019, the City did not use the de-minimis indirect cost rate.
SECTION I
SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___ Yes   ___ No
- Significant deficiencies identified not considered to be material weaknesses? ___ Yes   ___ No
- Noncompliance material to financial statements noted? ___ Yes   ___ No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? ___ Yes   ___ No
- Significant deficiencies identified 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 Uniform Guidance? ___ Yes   ___ No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.500</td>
<td>U.S. Department of Transportation</td>
</tr>
<tr>
<td></td>
<td>Passed Through Charleston Area</td>
</tr>
<tr>
<td></td>
<td>Regional Transportation Authority</td>
</tr>
<tr>
<td></td>
<td>Federal Transit-Capital Investment Grants</td>
</tr>
</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
FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III
FEDERAL AWARD FINDINGS AND RESPONSES

None reported.
Criteria: Internal controls were not sufficient to prevent or detect a material misstatement in the City’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2018.

Condition: Due to a misunderstanding of the terms of the grant agreement, the Schedule of Expenditures of Federal Awards initially excluded federal award amounts passed through the Charleston Area Regional Transit Authority.

Status: Resolved.