

**CITY OF NORTH CHARLESTON,
SOUTH CAROLINA**

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

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.

Mauldin & Jenkins, LLC

Savannah, Georgia
October 24, 2019

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through S.C. Department of Education			
<i>Child Nutrition Cluster</i>			
Summer Food Service Program for Children	10.559	SF-107	\$ 70,195
Total U.S. Department of Agriculture			70,195
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct			
<i>CDBG - Entitlement Grants Cluster</i>			
Community Development Block Grant/Entitlement Grants	14.218	B14UC450002	17,320
Community Development Block Grant/Entitlement Grants	14.218	B15UC450002	143,355
Community Development Block Grant/Entitlement Grants	14.218	B16UC450002	207,014
Community Development Block Grant/Entitlement Grants	14.218	B17UC450002	69,011
Community Development Block Grant/Entitlement Grants	14.218	B18UC450002	96,915
Total CDBG - Entitlement Grants Cluster			533,615
Home Investment Partnerships Program	14.239	M-18-MC-45-0201	4,241
Home Investment Partnerships Program	14.239	M-17-MC-45-0201	772
Total HOME Investment Partnerships Program			5,013
Total U.S. Department of Housing and Urban Development			538,628
U.S. DEPARTMENT OF JUSTICE			
Direct			
COPS Hiring Program	16.710	2015UMWX0124	450,249
Equitable Sharing Program	16.922	SC0100800	30,257
Passed through S.C. Department of Public Safety			
2017 Edward Byrne Memorial Justice Assistance Grant	16.738	2017-DJ-BX-0565	58,943
Total U.S. Department of Justice			539,449

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through S.C. Department of Public Safety			
<i>Highway Safety Cluster</i>			
OHSJP DUI Team	20.600	M4HVE-2018-HS-24-18	71,691
OHSJP DUI Team	20.600	M4HVE-2018-HS-24-19	174,743
<i>Total Highway Safety Cluster</i>			<u>246,434</u>
Passed Through Charleston Area Regional Transportation Authority			
Federal Transit-Capital Investment Grants	20.500	SC-04-0010-00	257,837
Federal Transit-Capital Investment Grants	20.500	SC-030-0027-01	4,700,000
<i>Total Federal Transit Grant Program</i>			<u>4,957,837</u>
Total U.S. Department of Transportation			<u>5,204,271</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct			
Disaster Grants Public Assistance	97.036	FEMA 4166-PA-SC	11,373
Passed through South Carolina Department of Natural Resources			
Flood Mitigation and Assistance Grant Program	97.029	EMA-2017-FM-E0001	25,000
Total U.S. Department of Homeland Security			<u>36,373</u>
Total Federal Expenditures			<u>\$ 6,388,916</u>
Total Federal Awards Passed Through to Subrecipients			<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 X No

Significant deficiencies identified not considered
to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? ___ Yes X 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 X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500	U.S. Department of Transportation Passed Through Charleston Area Regional Transportation Authority Federal Transit-Capital Investment Grants

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

Auditee qualified as low-risk auditee? ___ Yes X No

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**SECTION II
FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III
FEDERAL AWARD FINDINGS AND RESPONSES**

None reported.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001 Completeness of Schedule of Expenditures of Federal Awards

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.