

**TOWN OF MOUNT PLEASANT,
SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2011

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TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

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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***

Honorable Mayor and Members of Town Council
Town of Mount Pleasant, South Carolina

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Mount Pleasant, South Carolina (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 19, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Commission of Public Works for the Town of Mount Pleasant ("Waterworks"), a discretely presented component unit, as described in our report on the Town's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 management, the Mayor, Town Council, others within the Town, 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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 19, 2011

**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**

Honorable Mayor and Members of Town Council
Town of Mount Pleasant, South Carolina

Compliance

We have audited the Town of Mount Pleasant, South Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2011. The Town'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 Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Town 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 Town'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 Town'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. Our report includes a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards of the primary government is presented for 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 management, the Mayor, Town Council, others within the Town, 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
December 19, 2011

TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant/Contract Number	Federal Expenditures
Department of Energy:			
Direct Programs:			
American Recovery and Reinvestment Act - EECBG	81.128	DC0002834	\$ 5,000
			<u>5,000</u>
Total Department of Energy			<u>5,000</u>
Department of Justice:			
Direct Programs:			
American Recovery and Reinvestment Act - JAG	16.804	2009-SB-B9-1561	12,153
Edward Byrne Memorial Justice Assistance Program	16.738	2010-DJ-BX-0737	22,544
			<u>34,697</u>
2010 Bulletproof Vest Program	16.607	None	6,813
			<u>6,813</u>
Total Department of Justice			<u>41,510</u>
Department of Homeland Security:			
Pass-Through Program From - Assistance to Firefighters Program:			
2009 Assistance to Firefighters Grant	97.044	EMW-2009-FO-09885	2,068
			<u>2,068</u>
Pass-Through Program From - Port Security Program:			
SC Law Enforcement Division (SLED)	97.067	2009-SS-T0-0084	18,737
			<u>18,737</u>
Total Department of Homeland Security			<u>20,805</u>
Department of Housing and Urban Development:			
Pass-Through Program - Charleston County Community Development:			
Community Development Block/Entitlement	14.218	01-18C-41-10	7,588
			<u>7,588</u>
Total Department of Housing and Urban Development			<u>\$ 7,588</u>

(Continued)

TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant/Contract Number	Federal Expenditures
Department of Interior:			
Pass-Through Program From - SC Forestry Commission:			
Urban & Community Forestry Financial Assistance Partnership Program	10.664	2009U25	\$ 1,084
ARRA Community Forest Health Enrichment Assistance Prog	10.688	09ARRA31	21,000
			<u>22,084</u>
Pass-Through Program From - SC Parks, Recreation & Tourism:			
Recreational Trails Program	15.916	45-01083	43,160
Recreational Trails Program	15.916	45-01086	40,323
			<u>83,483</u>
Total Department of Interior			<u>105,567</u>
Department of Transportation:			
Pass-Through Program - South Carolina Dept. of Public Safety:			
State and Community Highway Safety - 2009	20.600	2H10027	36,798
State and Community Highway Safety - 2010	20.600	2H11027	110,319
			<u>147,117</u>
Pass-Through Program - South Carolina Dept. of Transportation:			
Highway Planning and Construction - SAFETEA-LU	20.205	PRE-03-05	2,604,942
Highway Planning and Construction - SAFETEA-LU	20.205	IGA-10-07-A2	3,055,680
Highway Planning and Construction - FEDERAL EARMARK	20.205	IGA-10-07-A2	1,199,374
			<u>6,859,996</u>
Total Department of Transportation			<u>7,007,113</u>
Total Expenditures of Federal Awards			<u>\$ 7,187,583</u>

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF MOUNT PLEASANT, 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 Town of Mount Pleasant, South Carolina (the “Town”) 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 BASIC FINANCIAL STATEMENTS

Federal award expenditures are reported in the Town’s financial statements primarily as expenditures in the Special Revenue Funds.

D. MATCHING COSTS

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

E. SUB-RECIPIENTS

The Town did not provide any federal awards to sub-recipients during fiscal year 2011.

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TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2011

There were no audit findings in the prior year.

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TOWN OF MOUNT PLEASANT, 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?	_____ <u>X</u> Yes	_____ 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>
20.205	Highway Planning and Construction

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?	_____ Yes	_____ <u>X</u> No
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TOWN OF MOUNT PLEASANT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION II – Findings – Current Year Financial Statements Audit

2011-1: DONATED CAPITAL ASSETS

Condition and Context: The Town receives donated capital assets (primarily land) in the normal course of business. Often these donations are the result of developer agreements which impact multiple years. Several donated/non-cash land acquisitions related to developer agreements and the use of Greenbelt funds initially were inadvertently omitted from the original capital asset listing.

Criteria: The Town should have a process in place where non-cash capital asset transactions are communicated to the Administrative Services/Financial Services Division on a regular basis so that they can be properly included in the Town’s capital asset records and annual financial statements.

Cause: Often developer agreements impact multiple years, are amended, and involve roads that change names during the project. Several departments are involved in these transactions, but there is no formal process to track them.

Effect: There is a higher risk that the Town’s records and financial statements will be materially misstated.

Recommendation: The Town should develop a formal process for tracking donations of capital assets (i.e. land, land-swaps, etc.) that generally originate in developer agreements by someone knowledgeable of the agreements and the current status of the related projects, (i.e., legal counsel, planning department, etc.) so that when the transactions are completed, this information is communicated to the Administrative Services/Financial Services department on a regular basis for proper inclusion in the Town’s capital asset records and financial statements.

Response: The Town’s Administrative Services Department will work with the legal department and the planning department to develop a better tracking methodology to ensure the flow of information is provided to the Financial Services Division in a timely manner. Due to the tremendous growth of the Town in areas of federal grants spending and special project accounting, the Town will strive to dedicate a position to the asset management and auditing functions of the Town.

SECTION III – Findings and Questioned Costs – Major Federal Awards Programs Audit

No matters to report.