

**TOWN OF MOUNT PLEASANT,
SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2013

TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

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TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant/Contract Number	Federal Expenditures through 6/30/13
Department of Energy:			
Direct Programs:			
American Recovery and Reinvestment Act - EECBG	81.128	DC0002834	\$ 258,330
			<u>258,330</u>
Total Department of Energy			<u>258,330</u>
Department of Justice:			
Direct Programs:			
American Recovery and Reinvestment Act - JAG	16.804	2009-SB-B9-1561	2,704
Edward Byrne Memorial Justice Assistance Program	16.738	2011-DJ-BX-2740	80
FY 2012 Justice Assistance Grant Program	16.738	2012-DJ-BX-0548	12,480
			<u>15,264</u>
2009 Bulletproof Vest Program	16.607	None	115
2011 Bulletproof Vest Program	16.607	None	83
2012 Bulletproof Vest Program	16.607	None	4,822
			<u>5,020</u>
Total Department of Justice			<u>20,284</u>
Department of Homeland Security:			
Pass-Through Program From - Port Security Program:			
SC Law Enforcement Division (SLED)	97.056	2010-PU-T0-K047	162
SC Law Enforcement Division (SLED)	97.067	2009-SS-T0-0084	17,953
SC Law Enforcement Division (SLED)	97.067	2010-SS-T0-0040	62,889
SC Law Enforcement Division (SLED)	97.078	2009-BF-T9-0020	96,853
SC Law Enforcement Division (SLED)	97.067	2011SHSP29	5,065
			<u>182,922</u>
Total Department of Homeland Security			<u>182,922</u>
Department of Housing and Urban Development:			
Pass-Through Program - Charleston County Community Development:			
Community Development Block/Entitlement	14.218	01-03E-33-09	24,899
Community Development Block/Entitlement	14.218	01-03E-1788-09; 01-03E-1772-10; 01-03K-1776-12	133
			<u>25,032</u>
Total Department of Housing and Urban Development			<u>25,032</u>
Department of Transportation:			
Pass-Through Program - South Carolina Dept. of Public Safety:			
State and Community Highway Safety - 2012	20.601	2H12027	30,604
			<u>30,604</u>
Pass-Through Program - South Carolina Dept. of Transportation:			
Highway Planning and Construction - SAFETEA-LU	20.205	PRE-03-05	3,061,827
			<u>3,061,827</u>
Total Department of Transportation			<u>3,092,431</u>
Total Expenditures of Federal Awards			<u>\$ 3,578,999</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, 2013

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, 2013. 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 Town's financial statements as expenditures primarily in the Federal Grants Special Revenue Fund.

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 2013.

**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

Honorable Mayor and Members of Town Council
Town of Mount Pleasant
Mount Pleasant, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 Town'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-1.

Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 20, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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, 2013. The Town'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Town 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, 2013.

Report on Internal Control Over Compliance

Management of the Town 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 Town'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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated November 20, 2013, 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 Town's basic financial statements. The accompanying schedule of expenditures of federal awards 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 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.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 20, 2013

TOWN OF MOUNT PLEASANT, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

There were no audit findings in the prior year.

TOWN OF MOUNT PLEASANT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ None Reported
Noncompliance material to financial statements noted?	_____ X _____ Yes	_____ _____ No

Federal Awards

Internal control over major programs:

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

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 section 510(a) of Circular A-133?	_____ Yes	_____ X _____ 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
81.128	ARRA - Energy Efficiency and Conservation Block Grant

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?	_____ X _____ Yes	_____ _____ No
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TOWN OF MOUNT PLEASANT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section II – 2013 Financial Statement Findings

2013-1: UNDERCOLLATERALIZED BANK DEPOSITS

Condition and Context: As of June 30, 2013, the Town had total cash and investments of approximately \$74,673,000. Approximately \$1,315,000 of the Town’s bank balances of approximately \$42,338,000 (with a carrying value of approximately \$41,370,000) was uncollateralized.

Criteria: South Carolina State law requires all local governments to ensure that all deposits in excess of insurance coverage provided by the Federal Deposit Insurance Corporation (“FDIC”) are fully collateralized in order to protect public funds in the event of a default.

Effect: The Town’s bank balances were not fully collateralized as of June 30, 2013.

Cause: Management had specified the requirement to maintain adequate collateral to all of the Town’s banks, but was unaware that two banks had failed to provide adequate collateral.

Recommendation: We recommend that the Town coordinate with its banks on a periodic basis in order to ensure each bank maintains sufficient collateral throughout the year on all of the Town’s depository balances.

Response: The Town has already contacted the banks and ensured that all balances in excess of FDIC insurance will be fully collateralized going forward.

Section III Findings – 2013 Federal Award Findings and Questioned Costs

No matters to report.