

CITY OF COLUMBIA, SOUTH CAROLINA

**Reports Required by *Government Auditing Standards*
and the Uniform Guidance**

Year Ended June 30, 2016

CITY OF COLUMBIA, SOUTH CAROLINA
Columbia, South Carolina

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Independent Auditors' 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

Honorable Mayor and City Council
City of Columbia, South Carolina
Columbia, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Columbia, South Carolina**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements and have issued our report thereon dated December 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the Midlands Authority for Conventions, Sports and Tourism, as described in our report on the City of Columbia, South Carolina's 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 of the financial statements, we considered the City of Columbia, South Carolina'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 of Columbia, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Columbia, South Carolina'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbia, South Carolina's 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 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

This report is intended 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 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 "Webster Rogues LLP". The signature is written in a cursive, flowing style.

Columbia, South Carolina
December 22, 2016

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Mayor and City Council
City of Columbia, South Carolina
Columbia, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the **City of Columbia, 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 of Columbia, South Carolina's major federal programs for the year ended June 30, 2016. The City of Columbia, South Carolina'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Columbia, South Carolina'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 of Columbia, South Carolina'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 of Columbia, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Columbia 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 of Columbia, South Carolina 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 of Columbia, South Carolina'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 of Columbia, South Carolina'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbia, South Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements. We issued our report thereon dated December 22, 2016, 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. We did not audit the financial statements of Midlands Authority for Conventions, Sports, and Tourism, a discretely presented component unit of the City. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Midlands Authority for Convention, Sports, and Tourism is based solely on the report of the other auditors. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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 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 aspects in relation to the basic financial statements as a whole.



Columbia, South Carolina
December 22, 2016

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor's/Agency's or Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Economic Development Cluster				
U.S. Department of Commerce				
Economic Adjustment Assistance	11.307		\$ -	\$ 1,672,125
Total U.S. Department of Commerce			-	1,672,125
Total Economic Development Cluster			-	1,672,125
Community Development Block Grant Cluster				
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants	14.218		68,162	2,044,909
Total U.S. Department of Housing and Urban Development			68,162	2,044,909
Total Community Development Block Grant Cluster			68,162	2,044,909
Highway Safety Cluster				
U.S. Department of Transportation				
Pass through programs from:				
South Carolina Department of Public Safety				
State and Community Highway Safety	20.600	2JC16005	-	5,582
State and Community Highway Safety	20.600	PT2016HS0816	-	96,435
State and Community Highway Safety	20.600	PT2015HS0815	-	36,829
State and Community Highway Safety	20.600	2JC15005	-	15,227
Total CFDA #20.600 and U.S. Department of Transportation			-	154,073
Total Highway Safety Cluster			-	154,073
Total Clusters				3,871,107
Other Programs				
U.S. Department of Housing and Urban Development				
HOME Investment Partnerships Program	14.239		-	1,723,922
Housing Opportunities for Persons with AIDS	14.241		1,652,869	1,687,378
Total U.S. Department of Housing and Urban Development			1,652,869	3,411,300
U.S. Department of Justice				
Pass through programs from:				
South Carolina Department of Public Safety				
Crime Victim Assistance	16.575	1V15147	-	20,673
Richland County Sheriff's Department				
Multijurisdictional Gang Task Force	16.738	1G15019	-	48,207
Subtotal Pass through U. S. Department of Justice			-	68,880
Public Safety Partnership and Community Policing Grants	16.710		-	150,396
Edward Byrne Memorial Justice Assistance Grant	16.738		-	223,264
Subtotal Direct U.S. Department of Justice			-	373,660
Total U.S. Department of Justice			-	442,540

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
Pass through programs from:				
South Carolina Office of the Adjutant General Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0406-14-01	\$ -	\$ 13,845
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0477-15-01	-	2,836
Total CFDA #20.703 and U.S. Department of Transportation			-	16,681
U.S. Environmental Protection Agency				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818		-	185,982
Total U.S. Environmental Protection Agency			-	185,982
U.S. Department of Health and Human Services				
Pass through programs from:				
South Carolina Department of Health and Environmental Control Midland Public Health Region Cooperative Agreement	93.074	5U90TP000551-03	-	68,868
LRADAC Block Grants for Prevention and Treatment of Substance Abuse	93.959	LRC-AET-16	-	1,083
Total U.S. Department of Health and Human Services			-	69,951
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	6,541,276
Assistance to Firefighters Grant	97.044		-	79,588
Subtotal Direct U.S. Department of Homeland Security			-	6,620,864
Pass through programs from:				
South Carolina State Law Enforcement Division Homeland Security Grant Program	97.067	15SHSP47	-	29,140
Homeland Security Grant Program	97.067	15SHSP46	-	33,663
Homeland Security Grant Program	97.067	15SHSP30	-	30,959
Homeland Security Grant Program	97.067	15SHSP17	-	31,761
Homeland Security Grant Program	97.067	14SHSP36	-	44,783
Homeland Security Grant Program	97.067	14SHSP31	-	29,109
Total CFDA #97.067 and Subtotal Pass through South Carolina State Law Enforcement Division			-	199,415
Total U.S. Department of Homeland Security			-	6,820,279
Total Other Programs				10,946,733
Total Expenditures of Federal Awards				<u>\$ 14,817,840</u>

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

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Columbia (the City) and is presented on the modified accrual basis of accounting. The information presented on this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. For purposes of the schedule, federal programs include all federal awards and procurement relationships entered into directly between the primary government, the City of Columbia, South Carolina, and the federal government and sub-grants from non-federal organizations made under federally sponsored agreements.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Economic Adjustment Assistance Loan Program (CFDA Number 11.307)

The City of Columbia maintains revolving loan funds pursuant to an Economic Development Administration Loan Grant of the U.S. Department of Commerce grant #04-39-03312 and CFDA #11.307. The accounts for these loan funds are reported in the basic financial statements under the Redevelopment Program Fund. The amount reported on the Schedule of Expenditures of Federal Awards is calculated in accordance with the EDA's final rule issued on January 27, 2010 and published in the *Federal Register* (75 FR 4529). This rule requires that each EDA RLF grant be calculated as follows: (1) Balance of RLF loans outstanding at year-end (\$2,335,555) plus, (2) the cash and investment balance in the revolving loan fund as of year-end (\$357,086) plus, (3) administrative expenses paid out of RLF income during the year ended June 30, 2016 (\$4,335) plus, (4) the unpaid principal of all loans written off during the year ended June 30, 2016 (none). The federal participation rate for the Economic Adjustment Assistance grant is 62.00%. The federal share of the RLF is the sum of the preceding four items multiplied by the federal participation rate percentage (\$1,672,125), which is reported as the amount of expenditures of the Economic Adjustment Assistance program on the Schedule of Expenditure of Federal Awards.

5. Contingencies

The City receives funds under various federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

I - Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Columbia, South Carolina were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of Columbia, South Carolina, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the City of Columbia, South Carolina expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR 200.516 (a) are reported in this Schedule.
7. The program tested as a major program included:
 - Economic Development Cluster
 - Edward Byrne Memorial Justice Assistance Grant Program – CFDA Number 16.738
 - Disaster Grants–Public Assistance (Presidentially Declared Disasters) – CFDA Number 97.036
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The City of Columbia, South Carolina did not qualify as a low risk auditee.

II – Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

III – Findings and Questioned Costs Relating to Federal Awards

None reported

**CITY OF COLUMBIA, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

There were no prior year audit findings.