

REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING

October 14, 2015

A meeting of the Finance & Administration Committee was held on Wednesday, October 14, 2015 at 11:00 A.M. at the Authority's Administrative Office in Conway, South Carolina. In accordance with the Freedom of Information Act, notices setting forth the date, time, and place of the meeting were mailed to the news media.

Present were Committee Chairman Pam Creech and Committee Member Sanford Graves. Committee Member Lance Thompson was absent due to obligation with DHEC. Also in attendance was Board Member Dan Gray, Executive Director Danny Knight, Directors Jan Bitting and Esther Murphy, staff members Nannette Powell and Susie Wofford and David DeKleva of Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. (Smith, Sapp). There were no members of the media in attendance.

Ms. Creech called the meeting to order and she rendered the invocation. Mr. Graves led the group in the Pledge of Allegiance. Ms. Creech then turned the meeting over to Mrs. Bitting.

Mrs. Bitting requested to add an item to the agenda concerning information that will be presented to the County's I&R Committee regarding the Charleston Contract.

Mr. Graves moved to add I&R Committee Packet review to the agenda. There was a second by Ms. Creech and the Motion was carried.

Presentation of Fiscal Year 2015 Audit

Mrs. Bitting asked Mr. DeKleva to proceed with the presentation.

Mr. DeKleva began by stating that overall the Authority remains in good financial condition. He generally reviewed with the Committee the financial statements to include the Statement of Net Assets and the Statement of Revenue and Expenses. Fiscal Year 2015 highlights addressed by Mr. DeKleva included:

- Cash and Investments decreased \$3,747,000
- Total assets were \$73,639,000
- Total liabilities increased \$4,716,000 or 15%
- Total net position decreased \$8,753,000

Mr. DeKleva stated that of the \$34,293,573 in cash and investments \$31,366,000 has been designated by the Board for specific purposes. He also stated that the decrease in cash is primarily due to cash expended for the East Hill Closure Project that was completed during the fiscal year. Mr. DeKleva explained that the increase in liabilities

is primarily due to the addition of GASB 68. The new standard requires the SWA to recognize its proportionate share of the State's Plan net pension liability.

Mr. DeKleva then reviewed the statement of revenues and expenses. He indicated there was a 4% decrease in total operating revenue. Mr. DeKleva stated the decrease was due to tipping fees being down due to a 2.3% decrease in tonnage received at the landfill. Also contributing to the decrease was the sale of recyclable materials decreased \$481,000 primarily due to a decline in cardboard, plastic and scraps metal prices. He stated that the all of the Authority's expense classifications are comparable to the prior year. Mr. DeKleva stated that total net position (which is the difference between total assets and total liabilities) for the year amounted to \$37,519,000 of this amount \$36,788,000 reflects the Authority's investments in its capital assets.

Mr. DeKleva then reviewed several items detailed in the Notes to Financial Statements section of the report concerning significant accounting policies. He pointed out that Note #2 was a summary of the SWA's cash and investments. Mr. DeKleva reviewed Note #3 that outlines the balance of the designated accounts that the SWA's Board of Directors, by formal resolution, has designated for specific purposes, which at June 30, 2015, was \$31,366,701.

As Mr. DeKleva continued through the Notes, he addressed the landfill closure and post closure care cost liabilities and estimated remaining costs to be recognized as outlined in Note #7. He briefly reviewed Note #8 – Pension Plan and mentioned Subsection E outlining the Authority's percentage of State's Plan.

Mr. DeKleva stated that the audit looked closely at the process of the new procedures that included the Authority's Purchasing Card program as well as check writing procedure.

Mr. DeKleva informed the Committee that through the performance of various tests, it was determined that the Authority's financial statements are free of any material misstatement, and that there were no instances of noncompliance that are required to be reported under Government Auditing Standards. He further stated there were no matters noted involving the internal control over financial reporting and its operation that would be considered a material weakness.

Mr. DeKleva stated his evaluation of the Authority's internal control structure found no problem and thereby issued the Authority an unqualified opinion. Mr. DeKleva indicated there were no findings to warrant the issuance of a management letter. In closing he stated it was a pleasure to work with the SWA and stated staff was most helpful during the performance of the audit.

Mr. DeKleva asked the Committee Members if there were any questions for him. Mr. Graves inquired if the Authority was aware in advance of the major projects and if they were budgeted for. Mrs. Bitting confirmed that the staff works with the engineers and have a time line of when to expect such projects. Mr. Graves also inquired about management preparing for decreases in revenue. Mrs. Bitting stated that during the

budget process the increases or decrease in tonnage are factored in when preparing the budget each year. Ms. Creech had questions from herself as well as Mr. Thompson that Mr. DeKleva had answered in the presentation.

Mr. Graves moved to recommend to the full Board the adoption of the Fiscal Year 2015 Audit as prepared by Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. There was a second by Ms. Creech and the Motion was carried.

Update on Charleston County Contract

Mrs. Bitting reviewed the worksheets that she had prepared for the County's I&R Committee meeting to be held on Thursday, October 22, 2015.

Discussion was held on the progress that has been made along with the number of trucks and other issues that had been previously discussed.

There being no further business to come before the Committee, the meeting was adjourned at 11:48 A.M.