

REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING

October 9, 2019

A meeting of the Finance & Administration Committee was held on Wednesday, October 9, 2019 at 10:00 A.M. at the SWA'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 Sam Johnson and Committee Members Pam Creech and Carl Schwartzkopf. Also, in attendance were Executive Director Danny Knight, Directors Jan Bitting, Esther Murphy, Mike Bessant, staff member 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.

Mr. Johnson called the meeting to order and asked Ms. Creech to render the invocation. Mr. Schwartzkopf led the group in the Pledge of Allegiance. Mr. Johnson then turned the meeting over to Mr. DeKleva.

Presentation of Fiscal Year 2019 Audit

Mr. DeKleva began by stating his firm issued an unmodified opinion on the Solid Waste SWA's financial statements. He advised an unmodified opinion is known as a clean opinion and all amounts and disclosures contained in the statements are fairly presented in all material respects. He generally reviewed with the Committee the financial statements to include the Statement of Net Position and the Statement of Revenue and Expenses. Fiscal Year 2019 highlights addressed by Mr. DeKleva included:

- Total assets were \$91,533,000 – 7% increase from previous year
- The SWA's two largest asset classifications were cash & investments and capital assets
- Total capital assets totaled \$45,337,000 – a \$ 1,174,000 decrease
- Total liabilities increased 5% to \$33,926,000
- Total net position amounted to \$58,543,000

Mr. DeKleva stated at year-end the cash and investments totaled \$43,334,000 and of that amount \$36,999,000 has been designated by the Board for specific purposes. He also stated capital assets totaled \$45,337,000 at year-end which is a \$1,174,000 decrease. Mr. DeKleva advised the decrease was due to depreciation expense during the year. He stated total liabilities were \$33,926,000 which was an increase of 5%. Mr. DeKleva commented the increase was primarily due to an increase in closure and post closure care costs for capacity that was utilized at the landfill during the year. He stated the SWA's total net position was \$58,543,000 which is the difference between assets and liabilities.

Mr. Johnson inquired if the SWA was on track to meet the requirements for closure and post closure. Mr. DeKleva confirmed from a cash standpoint the SWA was in good standing. Ms. Creech asked Mr. DeKleva if he thought the SWA was putting enough money aside to cover the cost of the closure and post closure. Mr. DeKleva replied the methodology being used currently will have adequate funds for closure and post closure to fund the liabilities. Mr. Johnson asked where the funds were presently. Mr. DeKleva stated they were in cash and cash investments. General discussion was held on landfill closure and post closure costs included in Note 7 in the Financial Statements. Mr. Johnson inquired if the SWA should accelerate the funding of the closure and post closure accounts. Mr. DeKleva replied the current amount designated is roughly equal to the current liability. General discussion was held on investments and the interest earnings being maximized. Mrs. Bitting commented the engineers evaluate the closure and post closure liabilities year to year to ensure the SWA is meeting the necessary goals on projection. She indicated staff would go to the Board if additional funding was needed. Mr. Johnson stated the SWA should be pro-active in funding the closure and post closure accounts. He advised no one knows what the economy will be in the next 15-20 years. Mr. Knight stated the increase in funding would be discussed in the budget process for next year. Ms. Creech expressed her concern on not knowing what changes the government will require of landfills in the future. General discussion was held on tipping fees for landfill and MRF.

Mr. Johnson asked Mr. DeKleva if the SWA was where it needed to be on funding pension/retirement. Mr. DeKleva affirmed it was.

Mr. DeKleva then reviewed the statement of revenues and expenses. He indicated total operating revenues were \$26,563,000 a 2% increase from the prior year. Mr. DeKleva stated tipping fees increased \$1,070,000 due to 7% increase in tonnage received at the landfill. He advised the sale of recyclable materials decreased \$1,638,000 due to a termination of the Charleston County recycling contract. Mr. DeKleva stated the SWA's total operating expenses were \$23,536,000 which is an 8% decrease from last year. He indicated the largest decreases in expenses were in depreciation and the landfill closure and post closure care expense classifications. Mr. DeKleva stated overall the SWA's operations for the year resulted in an increase in net position to \$4,751,000. Mr. Johnson inquired about the difference in provision for landfill closure costs from last previous year to current year. Mr. DeKleva advised these figures are based on the engineer's calculation of usage of landfill that includes settling and compaction ratios.

Mr. DeKleva then reviewed several items detailed in the Notes to Financial Statements section of the report concerning significant accounting policies.

Note #2 - Discloses information on cash and investments at year-end.

Note #3 - Details the designated cash accounts that the SWA's Board of Directors has designated for specific purposes, which consists of closure, postclosure, equipment replacement, future construction, MRF contingency, OPEB and waste diversion which totaled \$36,999,000.

Note #7 - Provides detail information about the SWA's closure and post closure care liabilities.

Note #8 – Pension Plan disclosed the SWA’s proportionate share of all the state’s items related to the plan. Ms. Creech inquired on how the state knows the SWA’s portion. Mr. DeKleva advised the amount is based on payroll.

Note #9 - Relates to the post-employment health care plan.

Mr. DeKleva reviewed the Report on Compliance and Internal Controls issued in accordance with the Government Auditing Standards. He stated this was the first year that there was a finding. Mr. DeKleva advised the SWA had uncollateralized bank deposits at one financial institution in the amount of \$6,047,324 at year end. Mrs. Bitting stated she had spoken with Ms. Angie Jones, Horry County Treasurer, and procedures have been put in place so this occurrence will not happen again. General discussion followed on procedures and what can be put in place to make sure the SWA has done what is required.

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’s staff and stated Mrs. Bitting was most helpful during the performance of the audit.

Mr. DeKleva asked the Committee Members if there were any questions for him Mr. Johnson asked if there was anything the SWA could be doing better. Mr. DeKleva advised operational recommendations is outside the scope of the financial audit. Ms. Creech inquired if Mr. DeKleva looked at different areas every year. Mr. DeKleva advised there are set procedures that are covered every year. He added some procedures are done rotationally. Ms. Creech asked Mr. DeKleva if he would recommend the SWA doing any other kind of audit. Mr. DeKleva replied he would not, what the SWA was doing now is sufficient.

Mr. Johnson advised that staff needed to confirm and make note of the auditor’s finding on uncollateralized deposits, set up procedures so the situation could not happen again and present staff’s information to Horry County’s Treasurer’s office to make them aware of SWA’s procedures and intent to follow up on investment transactions.

Mr. Schwartzkopf moved to recommend to the full Board the adoption of the Fiscal Year 2019 Audit as prepared by Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. There was a second by Ms. Creech and the Motion was carried.

There being no further business to come before the Committee, the meeting was adjourned at 10:40 A.M.