

REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING

September 12, 2022

A meeting of the Finance & Administration Committee was held on Monday, September 12, 2022, at 9:00 A.M. at the SWA's Administrative Office in Conway, South Carolina. In accordance with the Solid Waste Authority's policy, notices setting forth the date, time, and place of the meeting were mailed to the news media.

Present were Committee Chairman Robert Kemp and Committee Members Bo Ives and Sam Johnson. Also, in attendance were Executive Director Danny Knight, Assistant Executive Director Ed Marr, Directors Mike Bessant, Jan Bitting and Esther Murphy and staff members Katherine Bell and Susie Wofford. Board Chairman Norfleet Jones, Board Member Carl Schwartzkopf, David DeKleva and Claire McLaurin of Smith Sapp along with Horry County Treasurer Angie Jones and Deputy Treasurer R.A. Johnson also attended the meeting. There were no members of the media in attendance.

Mr. Kemp called the meeting to order and asked Mr. Ives to render the invocation. Mr. Johnson led the group in the Pledge of Allegiance.

Approval of Agenda

Mr. Ives moved to approve the agenda as presented. There was a second by Mr. Johnson and the Motion was carried.

Mr. Kemp then turned the meeting over to Mrs. Bitting.

Presentation of Fiscal Year 2022 Audit

Mrs. Bitting introduced Mr. DeKleva and Ms. McLaurin to the group. Mr. DeKleva began by stating his firm issued an unmodified opinion on the SWA's financial statements. He advised that 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. Mr. DeKleva introduced Ms. Claire McLaurin and stated she would review the highlights of the financial statements. Ms. McLaurin generally reviewed with the Committee the financial statements to include the Statement of Net Position and the Statement of Revenue and Expenses. Fiscal Year 2022 highlights addressed by Ms. McLaurin included:

- Total assets were \$113M – 9% increase from previous year
- The SWA's two largest asset classifications were cash and capital assets
- Total liabilities totaled \$36.9 Million less than 1% increase from previous year
- Total net position amounted to \$76,586,874

Ms. McLaurin stated at year-end the cash and investments totaled \$47.6 Million and of that amount \$37 Million had been designated by the Board for specific purposes. These amounts are explained in Note 3 in Notes to Financial Statements on page 17 of the Year

End Financials included in the Committee Packet. She also stated capital assets totaled \$62 Million at year-end which was a \$7 Million increase. Ms. McLaurin advised the increase was primarily due to costs incurred for the piggyback phase 3 expansion project that is currently in progress. She stated that further detail of capital asset activity can be referenced on Note 5 in Notes to Financial Statements. Ms. McLaurin indicated total liabilities were consistent, totaling \$36.9 Million, an increase of less than 1% from the previous year. She stated the SWA's total net position was \$76,586,874 which is the difference between assets and liabilities. Ms. McLaurin advised \$62 Million of the net position reflects the Authority's investment in its capital assets.

Ms. McLaurin then reviewed the Statement of Revenues and Expenses. She indicated total operating revenues increased by \$4.5 Million to \$32.4 Million; an increase of 16% from previous year. Ms. McLaurin stated tipping fees increased by \$1.5 Million, due to a 7% increase in tonnage received at the landfill. The sale of recyclable materials increased by \$2 Million due to an increase in paper, aluminum, cardboard, and plastic prices. Ms. McLaurin stated the SWA's total operating expenses for the year were \$25.9 Million which is a 22% increase from last year. She stated this increase is primarily due to the change in closure and postclosure care costs, which increased as a result of decrease in permitted landfill airspace during the year, as well as an increase in estimated utilization of the landfill's capacity. Ms. McLaurin advised these costs are recognized based on the percentage of utilized landfill capacity. She stated overall the SWA's operations for the year resulted in an increase in net position of \$7,901,237.

Ms. McLaurin asked the Committee Members if there were any questions for her; however, there were none.

Mr. DeKleva indicated the audit disclosed no instances or noncompliance and no material weakness in the overall control structure.

Mr. Ives asked Mr. DeKleva how he chose what general ledger accounts to investigate. Mr. DeKleva explained the auditor has specific audit areas such as cash, revenues, or expenses and within those areas a risk assessment is processed. He also stated in addition to previous mentioned items the audit consists of rotational procedures that change from year to year. Mr. DeKleva advised there was some items that get audited every year which includes cash and investments. Mr. Ives inquired about the different steps and procedures that the auditor takes. Mr. DeKleva gave a brief overview of how the audit takes places including verification, sampling, etc.

In closing he stated it was a pleasure to work with the SWA's staff during the performance of the audit.

Mr. Kemp requested that Mrs. Bitting let herself and her staff know the Board appreciated the work that was put forth to get a good report.

Mr. Ives commented he was especially pleased with this year's audit because the SWA had two major construction projects that monies were going out, but the SWA had income coming in from recyclables sales the SWA had never seen before.

Mr. Ives moved to recommend to the full Board the adoption of the Fiscal Year 2022 Audit as prepared by Smith Sapp. There was a second by Mr. Johnson and the Motion was carried.

Update on Investments

Mrs. Bitting turned the meeting to Ms. Angie Jones, Horry County Treasurer. Ms. Jones began her presentation by thanking Mrs. Bitting and her staff for working so well with her and the Horry County Treasurer's office. Ms. Jones advised the group that she had good news. She advised that the SWA had approximately \$40 Million invested and the last rate that was received was 3% for three months. Ms. Jones explained that the investments are for three months due to the fact the rates are going up rapidly. She advised that the County is now dealing with TD Bank as well. Ms. Jones reassured the Committee Members that she is excited and is looking forward to having a better year. Mrs. Bitting expressed her appreciation to Ms. Jones and to Mr. RA Johnson for their help and support throughout the year. Mr. Kemp also acknowledged the great job the Treasurer and her staff are doing for the County not just the SWA.

Update on Capital Purchases

Mrs. Bitting gave a brief overview of the capital budget for FY23 pertaining to what has been purchased, ordered, or will be going out on bid this fiscal year.

She stated this information would be updated every quarter and if any Committee Member or Board Member wanted it in a different format or broken down differently, they could get with her to discuss any changes.

Mr. Ives asked Mr. Bessant what the wait time was for equipment. Mr. Bessant responded the wait time was twelve (12) months to eighteen (18) months. General discussion was then held on the time frame of ordering equipment, additional costs, etc.

Mr. Knight advised the higher cost of equipment was the reason the \$1 Million was set aside in the budget for situations the SWA and other companies are seeing with the increased costs. He stated the vendors are having to justify their prices on the invoices before the SWA will pay.

There being no further business to come before the Committee, the meeting was adjourned at 9:31 A.M.