

# **REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING**

**October 15, 2018**

A meeting of the Finance & Administration Committee was held on Monday, October 15, 2018 at 1:00 P.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 Sam Johnson and Committee Member Pam Creech. Committee Member Carl Schwartzkopf was absent due to being out of town. Also, in attendance were Board Chairman Michael Hughes, Executive Director Danny Knight, Directors Jan Bitting, Esther Murphy, Mike Bessant and staff members Nannette Powell, Cecil Terry and Susie Wofford and David DeKleva of Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. (Smith, Sapp). Amelia Wood represented the public in attendance. There were no members of the media in attendance.

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

## **Presentation of Fiscal Year 2018 Audit**

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

Mr. DeKleva began by stating his firm issued an unmodified opinion on the Solid Waste Authority'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 2018 highlights addressed by Mr. DeKleva included:

- Total assets were \$85,405,000 – 6% increase from previous year
- Largest increases were in cash & investments and in capital assets
- Total capital assets totaled \$46,511,000 – a \$ 2,857,000 increase
- Total liabilities increased 9% to \$32,477,000
- Total net position amounted to \$53,791,000

Mr. DeKleva stated at year-end the cash and investments totaled \$35,928,000 and of that amount \$31,074,000 has been designated by the Board for specific purposes. He also stated capital assets totaled \$46,511,000 at year-end which is a \$2,857,000 increase. Mr. DeKleva advised the increase was primarily due to the landfill gas expansion project. He stated total liabilities were \$32,477,000 which was an increase of 9%. 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.

Mr. DeKleva then reviewed the statement of revenues and expenses. He indicated total operating revenues were \$26,150,000 a 3% increase from the previous year. Mr. DeKleva stated tipping fees increased \$1,085,000 due to the rate increase that was effective July 1, 2017. He advised the sale of recyclable materials decreased \$652,000 due to a decline in cardboard and newspaper prices. Mr. DeKleva stated the Authority's total operating expenses were \$25,745,000 which is a 5% increase from last year. He indicated the largest increases in expenses were in the professional and contractual services, maintenance and repairs and closure and post closure care expense classifications. Mr. DeKleva stated overall the Authority's operations for the year resulted in an increase in net position of \$1,980,000. He pointed out the cumulative effect adjustment made to beginning net position in the amount of \$19,612. Mr. DeKleva stated the adjustment was required due by Governmental Accounting Standards Board (GASB) statement 75 that was required to be implemented during the year regarding post-employment health care benefit plan.

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

Note #1 - Summary of the SWA's significant accounting policies, this note provides information on how various transactions are accounted for in the financial statements.

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 \$31,074,000.

Note #5 - Provides information on the SWA's capital assets.

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

Note #9 - Relates to the post-employment health care plan benefit which includes the revised information in conjunction with the GASB statement 75 implementation.

Mr. DeKleva reviewed the Report on Compliance and Internal Controls issued in accordance with the Government Auditing Standards. He further stated the audit disclosed no instances of noncompliance and no material weaknesses in the SWA's internal control structure. 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 especially having to deal with Hurricane Florence.

Mr. DeKleva asked the Committee Members if there were any questions for him Ms. Creech stated that she understood everything was in compliance and the audit found no problems. Mr. DeKleva affirmed that was correct. Ms. Creech inquired the SWA was up to date on the funding of where the SWA need to be for the closure, postclosure care and insurance liabilities. Mrs. Bitting responded that the SWA was where it needed to be at

this time. She stated in reference to the closure, postclosure and future landfill costs the Authority is putting aside \$8.25 for every ton being brought into the landfill.

Mr. Johnson asked if the amounts in the designated accounts take into consideration inflation. Mrs. Bitting stated when the engineer, Mr. Vance Moore, gives staff updates it includes future cost.

Mr. Johnson and Ms. Creech both complimented Mrs. Bitting and staff on a job well done.

**Ms. Creech moved to recommend to the full Board the adoption of the Fiscal Year 2018 Audit as prepared by Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. There was a second by Mr. Johnson and the Motion was carried.**

### **Recycling Grant**

Mrs. Murphy stated that the SWA had received a grant application from the City of North Myrtle Beach. She informed the Committee the City of North Myrtle Beach was interested in purchasing five (5) additional recycling igloos to place throughout the city to be used primarily for residential recycling. Mrs. Murphy advised that the City already has ninety-four (94) recycling igloos within their system, these would be in addition to what the city currently has. She indicated the total cost for igloos is \$21,924. The City of North Myrtle Beach is requesting \$10,000 and the City would supplement the remaining funding to purchase all five recycling igloos.

Ms. Creech stated the City of North Myrtle Beach is not starting any new recycling programs but is just adding to what is already on place. Mrs. Murphy affirmed that was correct the City was just adding additional igloos to add more opportunity to recycle. Ms. Creech advised she would like to see more ideas and new programs. She indicated the SWA staff should consider revising the grant application to be more specific on what it can be used for such as separating food waste. Mr. Knight stated he would also like to see new concepts and innovative ideas come from the grant applications. General discussion was held on agencies applying and not applying for the grants.

Mr. Johnson asked if the SWA logo is placed on any items used with the grant money. Ms. Murphy advised the grant application did not require the SWA logo to be tagged on any purchases. She commented staff would check on that for next year's application. However, she said, the SWA does not want any confusion on who gets called when there is an issue or problem.

**Ms. Creech moved that the Finance and Administration Committee recommend to the full Board of Directors approval of the grant application submitted by the City of North Myrtle Beach to assist with the purchase of five (5) recycling igloos, with grant funding in an amount not to exceed \$10,000. There was a second by Mr. Johnson and the Motion was carried.**

There being no further business to come before the Committee, the meeting was adjourned at 1:24 P.M.