

**Santee-Lynches Regional Council of Governments**  
**Audit/Finance Committee Meeting Minutes**  
**Monday, February 4, 2019**  
**4:30 pm**

Committee Members Attending: Alfred Mae Drakeford, Julian Burns, Vivian McGhaney, Jim McCain, Dwight Stewart, Travis Windham

Staff: Chris McKinney and Kathy Powell

Guest: Alan Grimsley, CPA and Partner, Mauldin Jenkins

- I. Chairman Drakeford called the meeting to order.
- II. Mr. Burns provided the invocation.
- III. **Determination of Quorum:** With six of eight members in attendance, a quorum was established.
- IV. **Adoption of Agenda:** Jim McCain moved to adopt the meeting agenda. The motion, seconded by Dwight Stewart, was unanimously approved
- V. **Approval of Minutes:** Jim McCain moved for approval of the minutes from the August 13, 2018 meeting. The motion, seconded by Dwight Stewart, was unanimously approved.
- VI. **Presentation of COG audit:** Alan Grimsley, partner of the Mauldin Jenkins audit firm, presented the audited financial statements and compliance reports for the year ended June 30, 2018 for Santee-Lynches Regional COG along with The Auditor's Discussion and Analysis report. It is the auditors' opinion that the statements fairly represent the COG's financial position as of 6/30/18, and the opinion is unmodified- the best that can be given. Mr. Grimsley reviewed the various reports included in the statements, noting Management's Discussion and Analysis beginning on page 4 of the report. He reviewed the Statement of Net Position and summarized the Statement of Activities, commenting on the effect the implementation of GASB 75 on the total net position at year end. Kathy Powell directed attention to page 6 of the report, where, in the MD&A, she'd broken out the Unrestricted and GASB portions of the Net position at year end. She noted that the auditors are not permitted to present the information separately, but management can do so in the MD&A. Separating the GASB portion of the net position from the unrestricted amount shows the actual change in net position from year to year. She noted the COG's position actually improved by approximately \$285,000 in FY 17-18.

There were many questions from and comments by committee members related to the required presentation of retirement (pension) and other postemployment benefits (retiree insurance) liabilities. After a question from Mr. Windham regarding the COG's responsibility for retiree insurance premiums, Mrs. Powell explained the COG pays a monthly surcharge so that retiree insurance premiums that would normally be the employer's responsibility are covered by PEBA. Therefore, the COG is not liable for retiree insurance premiums.

Mr. Grimsley reviewed the notes to the financial statements, indicating there were no significant accounting changes other than the required GASB disclosures which were implemented by the COG. Mr. Windham asked if the auditors had any recommendations of changes the COG should make. Mr. Grimsley responded, no, indicating the auditors

reviewed internal controls, and they were satisfied with the results. Mr. Grimsley continued the report, noting there were no material weaknesses or findings in the internal controls over financial or major programs reporting nor in internal controls. He referred to the Auditor's Discussion and Analysis, noting there are several upcoming GASB statements noted, and the report includes the requirements of those statements. Mr. Burns asked if any of the upcoming statements may affect the COG. Mr. Grimsley noted GASB Statement #87 regarding the treatment of leases may affect the COG's reporting of lease arrangements in the future.

Mr. Burns offered his congratulations to staff on a good report.

- VII. **Discussion and Recommendation of Membership Dues for FY 19-20:** Mr. McKinney utilized a power point presentation to update the committee on a recent report to the Building Task Force regarding the status of the new headquarters facility. He reviewed changes in plans for the building, giving the rationale for determining to build 2 instead of 3 stories because of cost. He noted the COG intends to pursue upfitting available space at RTA for the SC Works Comprehensive Center because estimates indicate that could be done more cost efficiently than including a third store on the headquarters building.

He then reminded the committee of the current membership participation level of \$1.25 per capita and noted many of the member governments are paying additional support for "customized services". Next, he reviewed the proposed FY 19-20 Membership requests, indicating staff proposes moving to \$1.30 per capita from each member government but giving up the supplemental support that is being paid by some, but not all, members. He noted the \$.05 per capita increase would allow for ECS departmental salaries/positions to be maintained. Mr. Burns questioned why change the membership model and drop the option of different levels of membership? Mr. McKinney explained the proposed requests bring all member governments back to equal shares. Mrs. Powell reminded committee members of the original agreement the member local governments signed years ago that established the per capita methodology so that all members would contribute proportionately based on their respective populations. She noted that Dr. Mikota changed that methodology with the requests for supplemental support, but the original agreement was never changed. The staffs' current proposal brings the COG's requests back in line with the intent of the original agreement. Mr. Burns indicated he could not yet understand the rationale behind or need for changing the model for the requests. He noted he was willing to pay for services when the County needed them but did not want to pay when they did not.

There were questions about what generated the increase from \$1.25 to \$1.30, and it was noted that we've had salary increases, increased costs of fringe benefits, and we've added planning staff to accommodate member governments' needs for planning and technical assistance. During discussion, it was noted that the proposed membership request for FY 19-20 is, in total, less than what is currently being provided. Mr. Windham asked if the COG could afford to give up the approximate \$46,700 they are currently receiving. Mr. McKinney and Mrs. Powell indicated we could and provided reasons why. Mrs. Powell indicated one primary reason we can operate with fewer membership funds is because we are not having to match the aging program administrative and operating funds. The State Department of Aging has provided match for the past two years, and it appears they will continue to do so. Although the COG has supplemented the aging program overhead somewhat, it has not been to the extent that match was once required. Staff is proposing to return some of that savings to our local governments next year because we know we are going to have to ask for funding for the headquarters building.

With that segue, Mr. McKinney presented the amount of and rationale for the building ask of \$380,000 per year for 15 years. During discussion about both the membership and building funding requests it was noted these would be "asks" of the member local governments. The

committee's and board's approval of the staff's recommendations do not guarantee that member local governments will approve the budget asks.

After discussion, Jim McCain moved to recommend to the Board that the COG request \$1.30 per capita for local government member support in FY 19-20. Dwight Stewart seconded the motion. The motion carried with Mr. Burns opposing the motion.

VIII. **Capital Requests for New Building:** There were comments and questions about the proposed building ask, including notations about which city/county administrators were aware of the potential requests. Mr. McKinney noted he'd met with several of the administrators to provide a heads-up for budget purposes. Mr. Burns questioned why the urgency of addressing the proposed requests. Chairman Drakeford noted the Task Force and Audit/Finance Committee have been discussing the issue of constructing a building for several years. Staff noted that some local governments have already begun to ask for budget requests for FY 19-20. To meet their time frames, a decision must be made now. It was again noted that approval to make the "ask" does not guarantee that member local governments will approve the budget requests. Mr. Stewart moved to accept the Building Task Force recommendation and forward as a motion to the Board the building funding request of \$380,000 per year as presented by staff. Mr. McCain seconded the motion. During the discussion phase committee members requested that staff approach appropriate members of the legislative delegation to solicit funding assistance. Upon call for the questions, the motion was approved with Mr. Burns opposing.

IX. **Other Business:** There was no other business for the committee.

VI. **Adjourn:** After a motion by Mr. McCain and seconded by Mr. Stewart, the committee moved to adjourn at 5:45 pm.

Respectfully Submitted,

---

Kathy E. Powell, Deputy Executive Director and CFO