



**MINUTES
SPECIAL CALLED MEETING
JUNE 27, 2023
3:00PM**

Present: Shirley Greene, Cornelius Robinson, Timothy Roseborough, Peggy Swearingen, Douglas Pauley, Dan Ruff (Council Members); Laura Johnson (Interim County Administrator); Synithia Williams (Deputy County Administrator); Tommy Morgan (County Attorney); Dr. Kimberly Roberts (Clerk to Council).

Absent: Clarence Gilbert

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80 (e), as amended, the following persons and/or organizations have been notified of the time, date and location of this meeting: The Independent Voice of Blythewood and Fairfield, The Country Chronicle and one hundred forty-two other individuals.

1. CALL TO ORDER

Chairman Pauley called the Special Meeting to order at 3:00 p.m.

2. APPROVAL OF AGENDA

Motion made by Councilman Ruff, seconded by Councilwoman Greene, to approve the agenda. ***The motion carried 5-0.***

3. INVOCATION

Councilman Ruff led the invocation.

Mr. Roseborough entered the meeting at 3:10pm.

4. PRESENTATIONS

A. FY 2022 Audit Presentation

Grant Davis, Columbia partner with Mauldin Jenkins CPA, referenced three documents given to Council. First was the County's audited financial statements, the second was their Auditor's Discussion and Analysis (he would spend most of his time in that document) and the third was their Management Letter, which contained recommendations.

He referred to the independent auditor's report, which was the first of three reports they received. They issued an unmodified opinion on the financial statements for the County. It was not glamorous language but the only acceptable result in a financial statement audit. The total assets of the county was \$178 million at the end of the year versus liabilities of about \$74 million, which positioned them in net position or equity of \$104 million. It included all the activities of the County – various funds, capital assets,

long-term debt, pension liability, etc. He said net position was comprised of three elements – net investment in capital assets (infrastructure, buildings, etc.) reduced by accumulated depreciation minus any outstanding debt that was used to acquire those assets. There was a restricted portion of \$11 million restricted by state law or bond ordinance (whatever the case might be) which gave a negative number and an unrestricted amount of \$41 million. The primary reason for the deficit of \$41 million was the accounting for the pension liability (administered by the state) and the post-employment benefits liability (retiring health insurance). Those numbers were recently added – the pension standard began in 2015 and the post-employment benefits in 2018. They were never previously quantified and reported on their balance sheets until those time periods. It caused their net position to take a big hit. On the pension side, it was managed by the state of South Carolina and the only responsibility the county had was to make the monthly contributions as a percentage of employee salaries. He said the negative number of \$41 million should not be a cause for concern – it was comparable with other counties in the state. He referred to page seven, which showed the general fund in chart form. The largest portion of the revenues of the general fund derived from property taxes. He said \$1.975 million was the Dominion settlement. The second table was the general fund expenditures, which had three big pieces. General government was \$9.9 million (Administration, finance, general governmental activities), public safety (Sheriff and other relevant departments – always a big piece) and health & welfare. He said page eight was historical information (not required) which showed inflows and expenditures to the general fund since 2017 and changes in the general fund balance. The 2022 general fund balance increased by \$2.17 million, which included the Dominion settlement. He said page 9 showed expenditures versus fund balance. Beginning in 2018, the fund balanced dropped while expenditures moved up – nothing drastic. He explained the percentages on that page – the closer to 100% meant they had fund balance on hand to cover 100% of their expenditures. As the number reduced, they had less fund balance on hand to cover expenditures. A simple mathematical equation would be to take the 2022 expenditures and divide them by 365 days or 12 months to figure out how much the general fund spent monthly – apply that to the fund balance and that would show the amount of the fund balance. The county had six months of fund balance on hand at the end of 2022, not all of which were available for spending. It was not a bad place to be. The Government Finance Officers Association provided some guidance for governments. As a general guideline, somewhere between three and six months was a good place to be. The nuance was to figure out the unassigned fund balance. In the compliance section,

they provided what they called negative assurance, which meant if they noted any instances of non-compliance (whatever the nature) they had to report that to the county. They had one instance of internal control deficiency. The third and final reports were single audit reports. Anytime over \$750,000 was spent in federal monies, it triggered a compliance audit specific to federal spending. Fairfield spent over \$750,000 in federal monies in 2022 so they had to perform a compliance audit and found no deficiencies relative to the spending of those funds. In regards to the audit process, he said they were required to be independent of the county, its component units and related organizations. They did not have any disagreements with management that precluded them from issuing the audit. They did not have any uncorrected misstatements. Regarding the findings, he already talked about the internal control deficiency. They had an issue with properly maintained general ledgers, which included all financial data for the county. They posted \$95.8 million in adjustments from the beginning of the audit until its completion – that was across 25 different county funds including the general fund and then 24 others. All of the work surrounding those adjustments was in his mind the reason why the audit was late. He said Mrs. Johnson worked diligently to get them to that point and he felt positive about the future and the future timeliness of the budget. In general, the county's audit should not take a significant amount of time. They budgeted for 350 hours and when he looked at it that day, they already had 1,200 hours - mainly due to the \$95.8 million in adjustments. They issued a clean opinion – the financial statements were free of material misstatement and they should be confident in the numbers as they were presented. In reference to their recommendations, he said the general accounting qualitative analysis had a lot of information available to county staff and they encouraged them to learn it and use it - it would help the audit process and other processes as well. The second recommendation was monthly financial reports, which were already implemented. The third recommendations was employee cross training. Coming out of COVID, a lot of finance people across the state left their positions. On the state treasury's website, six counties had not yet submitted their audit and they were all rural counties. Governmental accounting was very different from private sector accounting. It was difficult to find qualified people with the knowledge to perform governmental accounting. Hence, their recommendation to cross train their employees in the event someone leaves their position. He also gave them some information about some upcoming accounting standards and their potential impact. He said they had a governmental advisory practice that was separate from the audit side. He referred to the balance sheet of the general fund and other general type funds of the county. The general fund balance was \$18 million and

\$6.8 million was unassigned, which was not too much or too little for their operations.


Mrs. Swearingen asked how they got down to 2 ½ months of unassigned funds and he said he guessed spending. He said they wanted to focus of those funds because they were not restricted by state law and was available to meet the operations of the county. She asked if 2 ½ months was all they had and he said yes ma'am – to meet the needs of the county at June 30, 2022 – GFO would recommend at least three months.

Mr. Ruff asked for the plan to ensure the audit was completed by December. Mr. Davis said they audited 18 counties in South Carolina and most of those were completed by December 31st. They did not like to start audits until the numbers stopped moving. They had a good plan last year – they met in May to develop a plan. They started in September, came back in November and again in January/February. They did not forget about the audit but it was a mess. The key to financial reporting was to have monthly close outs – it should not start and stop but be ongoing. He had confidence in Mrs. Johnson and said they would develop a good audit plan with both sides buying in. Mrs. Swearingen asked if the \$100,000 million adjustment was something he had seen before and he said no. He had seen some awful audits but none that approached that dollar amount in adjusting. She asked if the adjustments were due to lack of monthly reporting or were they placed in the wrong area. Mrs. Johnson said there were various reasons – several bank (escrow) accounts were opened with monies (Dominion settlement, sewer monies, bond monies) that were not recorded in the books. She applauded Interim Finance Director, Beverly Mozie for her work during the process. They found bank statements and had to reconcile from the date the account was opened up to June. She could not say why they were never reported or reconciled. She acknowledged the finance team that was present – they were willing to help and be trained in different areas. Mrs. Greene applauded the finance team and said the Administration team did an excellent job. A lot went back to training and staffing. She asked if the state or the SC Association of Counties had training sessions for staff. Mrs. Johnson said they attended GFOA conferences and they worked with the auditors. They already had two in-house training sessions. She thanked Mrs. Williams for her role in the process of completing the audit.

5. ADJOURN

At 6:33pm, it was motioned by Councilman Ruff, seconded by Councilman Roseborough to adjourn. ***The motion carried unanimously 6-0.***


KIM W. ROBERTS, Ed. D.
CLERK TO COUNCIL


DOUG PAULEY
CHAIRMAN