

Deep South Regional Municipal Solid
Waste Management Authority

Financial Statements

Years Ended June 30, 2020 and 2019

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Deep South Regional Municipal Solid Waste Management Authority
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deep South Regional Municipal Solid Waste Management Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Deep South Regional Municipal Solid Waste Management Authority ("the Authority") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Deep South Regional Municipal Solid Waste Management Authority, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. However, management has elected not to include the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

January 20, 2021

Deep South Regional Municipal Solid Waste Management Authority
 Statements of Net Position
 June 30, 2020 and 2019

	Year Ended June 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,591,177	\$ 1,303,735
Accounts receivable	35,783	39,898
Total current assets	1,626,960	1,343,633
Total assets	1,626,960	1,343,633
Liabilities		
Current liabilities:		
Accounts payable	2,203	5,710
Total current liabilities	2,203	5,710
Total liabilities	2,203	5,710
Net Position		
Unrestricted	1,624,757	1,337,923
Total net position	\$ 1,624,757	\$ 1,337,923

See accompanying notes to the financial statements

Deep South Regional Municipal Solid Waste Management Authority
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30, 2020 and 2019

	Year Ended June 30	
	2020	2019
Operating Revenues		
Royalty fees	\$ 461,073	\$ 449,330
Operating Expenses		
Revenue sharing	152,751	303,960
Grants to members	11,668	7,987
Chipper/grinder project cost	3,184	5,000
Administrative	17,857	18,059
Professional fees	8,449	14,172
Other expenses	36	60
Total operating expenses	193,945	349,238
Operating income	267,128	100,092
Non-operating Revenues		
Interest income	19,706	24,350
Total non-operating revenues	19,706	24,350
Change in net position	286,834	124,442
Net Position - Beginning	1,337,923	1,213,481
Net Position - Ending	\$ 1,624,757	\$ 1,337,923

See accompanying notes to the financial statements

Deep South Regional Municipal Solid Waste Management Authority
 Statements of Cash Flows
 For the Years Ended June 30, 2020 and 2019

	Year Ended June 30	
	2020	2019
Cash Flows From (Used by) Operating Activities		
Receipts from royalty fees	\$ 465,188	\$ 449,913
Payments for grants to members	(14,852)	(12,987)
Payments for revenue sharing program	(152,751)	(303,960)
Payments for services/supplies	(29,849)	(29,975)
	<u>267,736</u>	<u>102,991</u>
Cash Flows From Investing Activities		
Interest income	19,706	24,350
	<u>19,706</u>	<u>24,350</u>
Net cash provided by investing activities	19,706	24,350
	<u>19,706</u>	<u>24,350</u>
Net increase in cash	287,442	127,341
Cash - beginning of year	<u>1,303,735</u>	<u>1,176,394</u>
Cash - end of year	<u>\$ 1,591,177</u>	<u>\$ 1,303,735</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ 267,128	\$ 100,092
Changes in assets and liabilities:		
Accounts receivable	4,115	583
Accounts payable	(3,507)	2,316
	<u>(3,507)</u>	<u>2,316</u>
Net cash provided (used) by operating activities	<u>\$ 267,736</u>	<u>\$ 102,991</u>

See accompanying notes to the financial statements

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies

The Deep South Regional Municipal Solid Waste Management Authority (“the Authority”) was created pursuant to Sections 12-8-50 through 12-8-59.1 of the official code of Georgia Annotated (the “Regional Solid Waste Management Authorities Act”), particularly Section 12-8-53(b) thereof, as a public body corporate and politic, created for nonprofit and public purposes for the benefit of the people of the State of Georgia. The Authority was created for the purpose of managing all aspects of the needs of its members with respect to solid waste, as directed by its members and its Board of Directors and as limited by the Regional Solid Waste Management Authorities Act. The entire income and assets of the Authority are held and distributed solely for such purposes. Member governments included the cities of Valdosta, Nashville and Lakeland and the counties of Lowndes, Berrien, Lanier, and Echols.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies, established in GAAP and used by the Authority, are discussed below:

A. Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered the criteria set forth in GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity”.

B. Basic Financial Statements

Since the Authority is engaged in a single business-type activity, the Authority’s basic financial statements include only a proprietary fund financial statement.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector. The following is a description of the proprietary fund of the Authority:

The Authority’s enterprise fund provides management, finance, accounting, grant awards, administrative and operating services with regard to administering solid waste landfill royalty agreements for the member governments. Administrative services are provided by Southern Georgia Regional Commission.

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

An enterprise fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Non-operating revenue and expenses include all revenue and expenses related to capital and related financing, non-capital financing, or investing activities.

The Authority's net position is reported in three parts (if applicable) – net investment in capital assets, restricted and unrestricted. The restricted amounts are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. The Authority would typically use the restricted amounts first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement capital acquisition.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. Financial Statement Amounts

1. Cash:

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

2. Prepaid Items:

Payments made to vendors for services that will benefit subsequent periods are recorded as prepaid items.

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

3. Revenues:

Substantially all revenues are accrued. Subsidies and grants which finance either capital or current operations are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

4. Use of Estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Grants to Members:

Grant applications received from member governments are subject to Board approval, however, the Authority is not obligated to reimburse a member government for the grant amount until the member government provides documentation that the funds were spent as stated and a progress report and signed grant agreement are received. Grants awards not paid out within a year from the award date expire, unless a one-year extension is obtained.

Note 2 – Cash, Custodial Credit Risk and Interest Rate Risk

The Authority's cash balances consist of investments in a local government investment pool ("Georgia Fund 1") through the State of Georgia Office of State Treasurer and demand deposits at financial institutions as follows:

	Year Ended June 30	
	2020	2019
Georgia Fund 1	\$ 1,347,025	\$ 1,129,179
Demand deposits	244,152	174,556
 Total cash and cash equivalents	 \$ 1,591,177	 \$ 1,303,735

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2 – Cash, Custodial Credit Risk and Interest Rate Risk (Continued)

Georgia Fund 1, created by O.C.G.A. 36-83-8, is a stable net asset value invested pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the Authority to invest in obligations of the State of Georgia or other states, obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptance; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

Custodial Credit Risk- Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 3 – Accounts Receivable

Accounts receivable consists of royalty fees due to the Authority as specified in a royalty agreement with Veolia ES Evergreen Landfill, Inc. As of November 21, 2012, Advance Disposal Services, Inc. operates the Veolia ES Evergreen Landfill, Inc. and is honoring the agreement.

Note 4 – Royalty Agreements

The Authority entered into a royalty agreement with Veolia ES Evergreen Landfill, Inc. (“Evergreen”), (owned and operated by Advance Disposal Services, Inc.) on May 15, 2002. From the date that the Evergreen Landfill first opened to the receipt of construction and demolition (C & D) waste for disposal until the date that the Evergreen Landfill first opened to the receipt of municipal solid waste (MSW) for disposal, the C & D royalty was required to be no less than \$25,000 for each year that the C & D royalty is in effect.

Effective upon opening to the receipt of MSW, Evergreen began paying the Authority a royalty on all MSW and special waste volumes disposed at the Evergreen Landfill (“MSW royalty”). The amount of the MSW royalty is (1) \$1.25 per ton or (2) 5.7% of the MSW disposal fee in effect for the Authority members at the Evergreen Landfill, whichever is greater.

Note 5 – Revenue Sharing

On August 19, 2009, the Authority adopted the “Revenue Sharing Disbursal Program” authorizing disbursement of 66.67% of the funds of the Authority on hand at July 31, 2009 to charter member governments. Thereafter, the Authority voted to disburse semi-annually 66.67% of gross royalties received. However, due to the COVID-19 pandemic, the second revenue sharing disbursement for the year ended June 20, 2020 was delayed and not made until in August 2020. The total amount that has been disbursed as of June 30, 2020 is \$3,089,644. The purpose of the “Revenue Sharing Disbursal Program” is to provide financial assistance to the charter members in sustaining and/or enhancing their existing solid waste management programs and activities. Revenue sharing payments have been made as follows:

	<u>Year Ended June 30</u>		<u>Cumulative</u>
	<u>Prior Years</u>	<u>2020</u>	<u>Total</u>
City of Valdosta	\$ 1,603,886	\$ 78,082	\$ 1,681,968
City of Nashville	233,267	17,581	250,848
City of Lakeland	45,000	2,500	47,500
Lowndes County	797,845	40,410	838,255
Berrien County	83,163	3,681	86,844
Echols County	53,463	4,675	58,138
Lanier County	<u>120,269</u>	<u>5,822</u>	<u>126,091</u>
 Total	 <u>\$ 2,936,893</u>	 <u>\$ 152,751</u>	 <u>\$ 3,089,644</u>

Deep South Regional Municipal Solid Waste Management Authority
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 – Grants to Members

Grants to members were made as follows:

	Unexpended Grant Awards June 30, 2019	Current Year		Unexpended Grant Awards June 30, 2020
		Approved Awards	Disbursements	
City of Valdosta				
2019 Litter Control	\$ -	\$ 7,675	\$ (7,675)	\$ -
2019 Magic of Recycling	-	3,993	(3,993)	-
Total	\$ -	\$ 11,668	\$ (11,668)	\$ -

Chipper/Grinder Project – On January 20, 2016, the Authority approved reimbursing member cities annually up to a maximum of \$5,000, for yard waste chipping/grinding services under a contract with Langdale Forest Products Co. Each member city would be responsible for a 20% cash match. During the year ended June 30, 2020, \$3,184 was paid to the City of Valdosta. During the year ended June 30, 2019, \$5,000 was paid to the City of Lakeland.

Note 7 – Disposal Fee Agreements

The Authority entered into agreements with Veolia ES Evergreen Landfill, Inc. (owned and operated by Advance Disposal Services, Inc.) and Veolia ES Pecan Row Landfill, LLC (now owned and operated by Advance Disposal Services, Inc.) on May 15, 2002, fixing member fees for C & D waste and MSW.

Note 8 – COVID-19 Pandemic and Subsequent Events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus has affected economic activity. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Authority could experience negative results and liquidity restraints. The exact impact on the Authority in the subsequent year cannot be predicted.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Deep South Regional Municipal Solid Waste Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Deep South Regional Municipal Solid Waste Management Authority ("the Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

January 20, 2021

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Deep South Regional Municipal Solid Waste Management Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2020

None noted.

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Deep South Regional Municipal Solid Waste Management Authority
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

None.

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