

CHOCTAW ROAD LANDFILL
*(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)*

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2015

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

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December 31, 2015

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INDEPENDENT AUDITORS' REPORT

Choctaw Road Landfill
Franklinton, Louisiana

We have audited the accompanying financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa (the Landfill), as of and for the year ended December 31, 2015, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 the 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Choctaw Road Landfill as of December 31, 2015, and the changes in financial position and cash flows thereof for the year 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 on pages 4 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Landfill. The schedule of compensation, benefits, and other payments to agency heads is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of compensation, benefits, and other payments to agency heads is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency heads is fairly stated in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016 on our consideration of Choctaw Road Landfill's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
May 9, 2016

CHOCTAW ROAD LANDFILL

*(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)*

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2015

This section of Choctaw Road Landfill's (the Landfill) annual financial report presents our discussion and analysis of the Landfill's financial performance during the fiscal year that ended on December 31, 2015. Please read it in conjunction with the Landfill's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Tipping fee revenue showed a slight increase from 2014 due to an increase in tonnage handled. Expenditures as a whole remained constant or decreased slightly, other than the following: Landfill contractor costs increased by 2.05 %, which is attributed to the Consumer Price Index adjustment awarded to the contractor on an annual basis. Salary and benefits increased \$22,558, due to employment personnel changes. During 2015, Landfill management continued the DEQ permit renewal process with the assistance of outside engineers which increased Engineering and Testing cost by \$30,335 from the prior year. The Landfill finalized the planning and design phase for construction of cell 6, incurring Engineering cost of \$137,331 (construction in progress). The construction of this project is to be advertised for bid in early 2016. The scales at the Landfill were upgraded during the year at a cost of \$89,060 and two drainage projects concerning surface water runoff were completed at a cost of \$89,360. There was an increase in the closure, post-closure care cost of 127% due to a change in philosophy by DEQ (Department of Environmental Quality) concerning the methodology and assumptions used in calculations which resulted in a significant increase for solid waste facilities. The main factor of the increase is that, even though cells 4 and 5 are partially closed, the closure cost had to be calculated for total closure, which included cells 4 and 5. In other words, either the cell is open or closed.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - management's discussion and analysis (this section) and the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Basic Financial Statements

The basic financial statements report the Landfill's net position and how they have changed. Net position - the difference between the Landfill's assets and liabilities - is one way to measure the Landfill's financial health or position.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2015

FINANCIAL ANALYSIS OF THE LANDFILL AS A WHOLE

Net position of the Landfill increased 1.0% to \$2,392,895 at December 31, 2015 from \$2,368,827 at December 31, 2014. This is due to a capital contribution in the amount of \$24,068 made in 2015. Unrestricted net position shows a balance of \$1,363,349 at the end of 2015 (see Table A-1).

TABLE A-1

CHOCTAW ROAD LANDFILL'S NET POSITION

	<u>2015</u>	<u>2014</u>	Total % Change 2014-2015
CURRENT ASSETS	\$ 1,743,135	\$ 1,734,676	0.1 %
NON CURRENT ASSETS	1,037,073	843,441	23.0 %
CAPITAL ASSETS, NET OF DEPRECIATION	<u>820,670</u>	<u>621,626</u>	32.0 %
TOTAL ASSETS	3,600,878	3,199,743	12.5 %
CURRENT LIABILITIES	225,532	245,143	8.0 %
NON CURRENT LIABILITIES	<u>982,451</u>	<u>585,773</u>	(67.7) %
TOTAL LIABILITIES	1,207,983	830,916	(45.4) %
NET POSITION			
Invested in capital assets, net of related debt	820,670	621,626	32.0 %
Restricted for closure and post-closure	208,876	286,155	(27.0) %
Unrestricted	<u>1,363,349</u>	<u>1,461,046</u>	(6.7) %
TOTAL NET POSITION	<u>\$ 2,392,895</u>	<u>\$ 2,368,827</u>	1.0 %

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2015

TABLE A-2

CHANGES IN CHOCTAW ROAD LANDFILL'S NET POSITION

	<u>2015</u>	<u>2014</u>	<u>Total % Change 2014-2015</u>	
OPERATING REVENUES				
PROGRAM REVENUES				
Tipping fees	\$ 520,236	\$ 489,270	14.1	%
Recycling fees	<u>11,223</u>	<u>23,958</u>	(53.2)	%
TOTAL OPERATING REVENUES	531,459	513,228	3.6	%
OPERATING EXPENSES				
Sanitation	<u>1,799,240</u>	<u>1,531,938</u>	17.4	%
TOTAL OPERATING EXPENSES	<u>1,799,240</u>	<u>1,531,938</u>	17.4	%
Deficiency before special items and subsidies	(1,267,781)	(1,018,710)	(24.4)	%
NON-OPERATING REVENUES				
Interest income	6,242	4,945	26.2	%
Subsidies by participants:				
Washington Parish Government	732,954	588,997	24.4	%
City of Bogalusa	<u>528,585</u>	<u>424,768</u>	24.4	%
TOTAL NON-OPERATING REVENUES	<u>1,267,781</u>	<u>1,018,710</u>	24.4	%
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	-	-	0.0	%
CAPITAL CONTRIBUTIONS	<u>24,068</u>	<u>15,977</u>	50.6	%
INCREASE IN NET POSITION	<u>\$ 24,068</u>	<u>\$ 15,977</u>	50.6	%

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2015

Changes in Net Position

The Landfill's funding sources are tipping fees generated from a \$30 per ton fee billed to commercial customers which funded 28.9% of the expenses with the remaining balance being funded by the City of Bogalusa at 41.9% and the Washington Parish Government at 58.1%.

Capital Assets

Most of the Landfill's capital assets of \$5,816,622 at the end of 2015 consisted of constructed cells in the amount of \$4,412,493 or 75.9% see Table A-3.

TABLE A-3

CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
CAPITAL ASSETS NOT BEING DEPRECIATED		
Land	\$ 15,000	\$ 15,000
Construction in progress	<u>137,331</u>	<u>36,848</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	152,331	51,848
OTHER CAPITAL ASSETS		
Land	292,712	292,712
Buildings	233,376	233,376
Cells and land work	4,412,493	4,323,133
Drop off facility	185,575	185,575
Equipment	<u>540,135</u>	<u>451,075</u>
TOTAL OTHER CAPITAL ASSETS	<u>5,664,291</u>	<u>5,485,871</u>
TOTAL CAPITAL ASSETS	<u>\$ 5,816,622</u>	<u>\$ 5,537,719</u>

Long-Term Debt

The increase in the cost estimate for Close and Post-closure care costs can be attributed to a change in philosophy by DEQ (Department of Environmental Quality) concerning the methodology and assumptions used in calculations which resulted in a significant increase for solid waste facilities. The main factor of the increase is that, even though cells 4 and 5 are partially closed, the closure cost had to be calculated for total closure, which included cells 4 and 5. In other words, either the cell is open or closed.

CHOCTAW ROAD LANDFILL

*(A Joint Venture of the Washington Parish Government
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Franklinton, Louisiana
Management's Discussion and Analysis
December 31, 2015*

Economic Factors and Next Year's Rates

Both the City of Bogalusa and Washington Parish Government's funding sources for subsidizing the Landfill are restricted, and each will be assessed to determine if revenues collected will continue to be adequate in funding the project.

On January 13, 2016, the Choctaw Road Landfill began advertising for sealed bids for construction of New Cell No. 6. The lowest responsible bid was awarded to Beard Construction Group, LLC in the amount of \$1,375,000. Construction began in early March of 2016 and is expected to be completed by mid-July 2016.

Contacting Choctaw Road Landfill's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Landfill's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Washington Parish Government, 909 Pearl Street, Franklinton, Louisiana 70438.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF NET POSITION

December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	531,571
Tipping fees receivable – (Net of allowance of \$1,033)		102,294
Prepaid expenses		16,056
Due from City of Bogalusa		360,260
Due from Washington Parish Government		<u>732,954</u>

TOTAL CURRENT ASSETS 1,743,135

NONCURRENT ASSETS

Restricted assets – (Certificates of Deposit for landfill closure and post-closure care costs)		324,925
Due from City of Bogalusa, less current portion		712,148
Capital assets, net of depreciation		<u>820,670</u>

TOTAL NONCURRENT ASSETS 1,857,743

TOTAL ASSETS 3,600,878

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	<u>225,532</u>
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TOTAL CURRENT LIABILITIES 225,532

NONCURRENT LIABILITES

Landfill closure and post-closure care costs	<u>982,451</u>
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TOTAL LIABILITIES 1,207,983

NET POSITION

Net invested in capital assets	820,670
Restricted for closure and post-closure	208,876
Unrestricted	<u>1,363,349</u>

TOTAL NET POSITION \$ 2,392,895

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2015

OPERATING REVENUES	
Tipping fees	\$ 520,236
Recycling fees	<u>11,223</u>
TOTAL OPERATING REVENUES	531,459
OPERATING EXPENSES	
Landfill operations	1,230,302
Depreciation	79,859
Recycling	7,000
Engineering and testing	124,723
Salary and benefits	225,698
Insurance	34,061
Utilities	20,499
Repairs and maintenance	20,805
Office supplies	8,507
Legal	20,926
Accounting and auditing	13,515
Conference and travel	1,563
Telephone	3,242
Permits	4,887
Medical	480
Bank fees	993
Vehicles	<u>2,180</u>
TOTAL OPERATING EXPENSES	<u>1,799,240</u>
OPERATING LOSS	(1,267,781)
NON-OPERATING REVENUES	
Interest	6,242
Subsidies by participants	
Washington Parish Government	732,954
City of Bogalusa	<u>528,585</u>
TOTAL NON-OPERATING REVENUES	<u>1,267,781</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	-
Capital Contributions	<u>24,068</u>
CHANGE IN NET POSITION	24,068
NET POSITION – BEGINNING OF YEAR	<u>2,368,827</u>
NET POSITION – END OF YEAR	<u>\$ 2,392,895</u>

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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STATEMENT OF PARTICIPANTS' EQUITY *For the Year Ended December 31, 2015*

	<u>Washington Parish Government</u>	<u>City of Bogalusa</u>	<u>Total</u>
BALANCE, JANUARY 1, 2015	\$ 1,499,388	\$ 869,439	\$ 2,368,827
CHANGE IN NET POSITION FOR THE YEAR	<u>24,068</u>	<u>-</u>	<u>24,068</u>
BALANCE, DECEMBER 31, 2015	<u>\$ 1,523,456</u>	<u>\$ 869,439</u>	<u>\$ 2,392,895</u>

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 611,591
Payments to suppliers	<u>(1,337,255)</u>
NET CASH USED IN OPERATING ACTIVITIES	(725,664)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(278,903)
Capital contributions	24,068
Investment in certificates of deposit	(25,306)
Interest	<u>6,242</u>
NET CASH USED IN INVESTING ACTIVITIES	(273,899)
CASH FLOWS FROM FINANCING ACTIVITIES	
Participants' subsidies	<u>911,498</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>911,498</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,065)
BALANCES – BEGINNING OF YEAR	<u>619,636</u>
BALANCES – END OF YEAR	<u>\$ 531,571</u>
RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating loss	\$ (1,267,781)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	79,859
Decrease in tipping fees receivables	80,132
Decrease in accounts payable	(19,610)
Decrease in prepaid expenses	5,059
Increase in landfill closure and post-closure care costs	<u>396,677</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (725,664)</u>

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

ORGANIZATION

During 1985, the Washington Parish Government (the Parish Government) and the City of Bogalusa (the City) entered into a verbal agreement for the construction and operation of the Choctaw Road Landfill (the Joint Venture). In 1998, this agreement was formalized in writing. The landfill was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenues, and operating costs were 58.1% for the Parish Government and 41.9% for the City.

The Parish Government is the “managing partner” and is responsible for the day to day operations of the Joint Venture. The Joint Venture Committee, which is comprised of council members of the City and Parish Government, meet periodically to discuss landfill operations. The members of the committee keep their respective governments informed about landfill operations. Both governments must approve any major expenses/significant changes related to the Joint Venture other than those relating to the normal day-to-day operations.

In December 2000 the Washington Parish Government and the City of Bogalusa entered into an agreement with Landworks, Inc. to carry out the daily operations of the Choctaw Road Landfill for the life of Cell No. 3 or approximately ten years, whichever event shall occur last. Upon termination of the contract, the parties extended this contract for an additional period of time, not to exceed ten years. The contract was extended until May 31, 2017.

The Landfill operates on a “cell basis”, that is, only a portion or “cell” of the Landfill is used at a time. Certain materials and equipment used to contain the waste and monitor the environmental effect of landfill operations, such as liners and leachate collection systems, are installed before the cell is ready to receive waste in accordance with federal and state requirements. Final cover is applied to each cell once it is filled to capacity. The first and second cells have been covered, and the third cell was completely closed in early 2008. Construction was completed on cells four and five in September 2006 and both cells were placed in service in January 2008. The present Landfill site has an estimated nine cell capacity and an estimated remaining useful life of 20.25 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Joint Venture have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity

GASB Statement No. 14, as amended by GASB Statement No. 61, established standards for defining and reporting on the financial entity, and established standards for reporting participation in joint ventures. It defined a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility." GASB Statement No. 14, as amended by GASB Statement No. 61, also established that such joint ventures are stand-alone reporting entities. Therefore, the Choctaw Road Landfill has applied the provisions of GASB Statement No. 14, as amended by GASB Statement No. 61, as if it were a primary government.

Fund Accounting

The Joint Venture is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or, recovered primarily through user charges and subsidies by the participants.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues - Tipping fees (landfill use fees) are recorded as revenue when earned. Participants' subsidies are recorded as revenue when billed.

Expenses - All operating expenses, except depreciation and the current costs for closure and post-closure care, are recorded when they are incurred. Depreciation and the current costs for closure and post-closure are recorded at year-end.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Joint Venture may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Capital Assets

Capital assets are included on the Statement of Net Position at cost, and are generally depreciated over their useful life, using the straight-line method. However, capital assets that are used exclusively for the Landfill and that are excluded from the calculation of the estimated total current costs of closure and post-closure care are depreciated at a rate to be fully depreciated by the time that the Landfill stops accepting solid waste. Capitalized facilities and equipment installed or constructed for a single cell are depreciated over the estimated useful life of that cell. Assets that cost \$1,000 or more, with at least a five-year life are capitalized.

All capital assets, other than land not being used as a cell, are depreciated using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Landfill property	46.75 years
Cells and land work	10 years
Buildings/drop off facility	34-45 years
Equipment	5-10 years

Compensated Absences

Four employees of the Washington Parish Government have been assigned to the Choctaw Road Landfill. Currently, the Joint Venture has no liability for compensated absences.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

In proprietary fund financial statements, equity is classified as net position and displayed in three components:

- A. Net invested in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. Restricted net position - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net position - all other net assets that do not meet the definition of restricted or net invested in capital assets.

The Landfill considers restricted net position to be spent for expenses first when both restricted and unrestricted resources are available.

Risk Management

The Joint Venture is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. Management is of the opinion that any such losses would be covered by the existing insurance of the Washington Parish Government and the City of Bogalusa. In addition, the Joint Venture carries a separate insurance policy for environmental liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2015, the Joint Venture had cash and cash equivalents (book balances) totaling \$531,571 as follows:

Interest-bearing demand deposits	<u>\$ 531,571</u>
Total	<u>\$ 531,571</u>

This account is stated at cost, which approximates fair value. Under state law, this account (or the resulting bank balance) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Joint Venture's deposits may not be returned to it. At December 31, 2015, the Joint Venture had \$550,204 on deposit (collected bank balance). Of this balance, \$250,000 was secured from risk by federal deposit insurance, which was exposed to custodial credit risk. The remainder of \$300,204, which was exposed to custodial credit risk, was collateralized with securities held either by the pledging financial institution's agent or agent in Washington Parish's name.

NOTE 3 - RESTRICTED ASSETS

At December 31, 2015, the Joint Venture had a bank balance of \$324,027 in Certificates of Deposit. The investment is secured from risk for \$250,000 of federal deposit insurance and \$74,027 of pledged securities and is restricted for landfill closure and post-closure care costs.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of one type of receivable. Tipping fees (landfill use fees) totaling \$103,327 represent fees billed through December 31, 2015, but not yet collected. The allowance for doubtful accounts on these receivables at December 31, 2015 was \$1,033.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

The \$732,954 and \$1,072,408 of due from the Washington Parish Government and the City of Bogalusa, respectively, represents their portion of uncollected appropriations and reimbursements according to the Joint Venture Agreement.

As of the date of this report, the City of Bogalusa has made payments in 2016 that amount to \$360,260, thus reducing their balance to \$712,148, which contains operating costs of \$360,260 from 2014. As such, of the \$1,072,408 due from the City of Bogalusa, \$360,260 is classified as current assets, with the remaining balance of \$712,148 classified as noncurrent assets.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 6 - CAPITAL ASSETS

Capital assets consist of the following:

	Balance at 01/01/15	Additions	Deletions	Balance at 12/31/15
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	36,848	189,843	(89,360)	137,331
	51,848	189,843	(89,360)	152,331
Other Capital Assets				
Land	292,712	-	-	292,712
Buildings	233,376	-	-	233,376
Cells and land work	4,323,133	89,360	-	4,412,493
Drop off facility	185,575	-	-	185,575
Equipment	451,075	89,060	-	540,135
	5,485,871	178,420	-	5,664,291
TOTAL CAPITAL ASSETS	5,537,719	368,263	(89,360)	5,816,622
ACCUMULATED DEPRECIATION	(4,916,093)	(79,859)	-	(4,995,952)
TOTAL CAPITAL ASSETS, NET	<u>\$ 621,626</u>	<u>\$ 288,404</u>	<u>\$ (89,360)</u>	<u>\$ 820,670</u>

NOTE 7 - CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Washington Parish Government to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In addition to operating expenses relating to current activities of the Landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the Landfill no longer accepts waste. The recognition of these Landfill closure and post-closure care costs is based on the amount the Landfill used during the year.

The estimated total current cost liability for landfill closure and post-closure care costs is \$2,220,757 as of December 31, 2015. It is estimated that \$767,717 will be recognized as closure costs, which is based on 56.68 percent usage (filled) of the landfill. The percentage usage reflects an update in the engineering estimate, and the related estimated liability for landfill closure and post-closure costs required by the Louisiana Department of Environmental Quality (LDEQ) regulations. The remaining \$1,453,040 is the estimated liability for post-closure care costs. The estimated total current cost liability for landfill closure and post-closure care costs, after adjusting for present worth, is \$1,733,191 as of December 31, 2015. However, the actual costs of closure and post-closure care may be higher due to inflation, in excess of the assumed

CHOCTAW ROAD LANDFILL

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 7 - CLOSURE AND POST-CLOSURE CARE COSTS - Continued

rate of 1%, over the 30- year post-closure period, changes in technology, or changes in landfill laws and regulations.

In addition, total closure and post-closure costs, as well as estimates of percentage usage of the Landfill, will change as any additional cells are permitted to accept additional waste.

There was an increase in costs between the end of 2014 and the end of 2015. The increase in costs can be attributed to the increase in the in the closure, post-closure care cost.

Cumulative capacity used is defined as the number of years the Joint Venture has actually been operating under the permit issued by the LDEQ. Total estimated capacity is defined as the life of the entire property as stated in the current permit issued by LDEQ.

The estimated total current costs of the Landfill are recognized as an expense and as a liability in each period that the Landfill accepts solid waste. The current-period amount was based on the following formula:

$$\begin{array}{rcccl} \text{Estimated total} & & \text{Cumulative} & & \\ \text{current costs} & \times & \frac{\text{capacity used}}{\text{Total estimated}} & - & \text{Amount previously} \\ & & \text{capacity} & & \text{recognized} \end{array}$$

Expressed in numbers, the formula produces a benefit for 2015 as follows:

$$\begin{array}{r} \$1,733,191 \times \frac{26.5 \text{ yrs.}}{46.75 \text{ yrs.}} = \$982,451 - 585,773 = \$396,678 \end{array}$$

At December 31, 2015, the Joint Venture had invested \$324,925 in certificates of deposit for landfill closure and post-closure care costs. Further, the Washington Parish Council passed a resolution on April 14, 2003, to add 1/30 of the closure and post-closure costs at December 31st of each year to the certificate of deposit for the next 30 years.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2015

NOTE 8 - PARTICIPANTS' SOURCES OF LANDFILL SUBSIDIES

Both participants have dedicated tax revenues that are available to fund the Joint Venture.

Washington Parish Government receives a 0.67% sales tax imposed parish wide, excluding the City of Bogalusa that is available to pay the costs of providing, maintaining, operating, constructing, acquiring and/or improving solid waste facilities. The sales tax is for an indefinite period, and generates annual revenue of approximately \$1,800,000.

The City of Bogalusa receives a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities. The tax expires in October 2021, and generates annual revenue of approximately \$334,884. For the year ended December 31, 2015, the actual operating costs allocated to the City of Bogalusa exceeded the estimated annual revenue generated from this millage.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 9, 2016 which is the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in these financial statements.

OTHER SUPPLEMENTAL INFORMATION
CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEADS
For the Year Ended December 31, 2015

Per the Joint Venture Agreement discussed in the Notes to the Financial Statements, the Washington Parish President, Richard Thomas, is considered the agency head of the Landfill. No compensation, benefits, or other payments were provided to Richard Thomas by the Landfill for the year ended December 31, 2015. All items that require disclosure by Louisiana Revised Statute 24:513(A)(3), as amended by Act 706, will be addressed in the Washington Parish Government Annual Financial Statements.

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' 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

Choctaw Road Landfill
Franklinton, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of Choctaw Road Landfill (the Landfill) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated May 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Landfill'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control. Accordingly, we do not express an opinion on the effectiveness of the Landfill'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 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 Landfill's financial statements are free of 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*.

We noted certain matters that were reported to management of the Landfill in a separate letter dated May 9, 2016.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
May 9, 2016

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' REPORTS

- a. The Auditors' Report expresses an unmodified opinion on the financial statements of Choctaw Road Landfill.

- b. Independent Auditors' 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*.

Internal Control

Significant Deficiencies Yes None reported.

Material Weaknesses Yes None reported.

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

CHOCTAW ROAD LANDFILL

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SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended December 31, 2015

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None.

SECTION II - MANAGEMENT LETTER

MLC-2014-01 - Unresolved. See current year Memorandum of Advisory Comments 2015-01.