

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

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2017

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
TABLE OF CONTENTS
December 31, 2017

| | PAGE |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4-8 |
| STATEMENT OF NET POSITION | 9 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION..... | 10 |
| STATEMENT OF PARTICIPANTS' EQUITY..... | 11 |
| STATEMENT OF CASH FLOWS..... | 12 |
| NOTES TO THE FINANCIAL STATEMENTS | 13-20 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Schedule of Compensation, Benefits, and Other Payments to Agency Heads..... | 21 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 22-23 |
| SCHEDULE OF FINDINGS..... | 24 |
| SCHEDULE OF PRIOR YEAR FINDINGS | 25 |

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT

Members
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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, 2017, 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, 2017, 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 1, 2018 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 1, 2018

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, 2017

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, 2017. Please read it in conjunction with the Landfill's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Tipping fee revenue showed a decrease from 2016 due to a decrease in tonnage handled, subsequent to flooding damages occurring in 2016. Expenditures as a whole increased approximately 10%; more specifically, in the following areas: Landfill contractor costs increased by 1.8 %, which is attributed to the Consumer Price Index adjustment awarded to the contractor on an annual basis. Salary and benefits increased 15.91%, due to an increase in health insurance benefit premiums. Repairs and maintenance costs increased \$71,568 due to the removal of excess foliage to facilitate access to clay needed for the closure of cells 4 & 5. Depreciation expense increased significantly due to a newly constructed cell being placed in service.

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
and the City of Bogalusa)*

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2017

FINANCIAL ANALYSIS OF THE LANDFILL AS A WHOLE

Net position of the Landfill increased 1.6% to \$4,115,182 at December 31, 2017 from \$4,052,457 at December 31, 2016. This is due to a capital contribution in the amount of \$62,725 made in 2017. Unrestricted net position shows a balance of \$1,457,381 at the end of 2017 (see Table A-1).

TABLE A-1

CHOCTAW ROAD LANDFILL'S NET POSITION

| | <u>2017</u> | <u>2016</u> | <u>Total % Change 2016-2017</u> | |
|--|---------------------|---------------------|---|---|
| CURRENT ASSETS | \$ 1,074,801 | \$ 973,813 | 10.4 | % |
| NONCURRENT ASSETS | 2,530,581 | 2,243,120 | 12.8 | % |
| CAPITAL ASSETS, NET OF DEPRECIATION | <u>1,852,732</u> | <u>2,165,787</u> | (14.5) | % |
| TOTAL ASSETS | 5,458,114 | 5,382,720 | 1.4 | % |
| CURRENT LIABILITIES | 111,747 | 113,959 | (1.9) | % |
| NONCURRENT LIABILITIES | <u>1,231,185</u> | <u>1,216,304</u> | 1.2 | % |
| TOTAL LIABILITIES | 1,342,932 | 1,330,263 | 1.0 | % |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | 1,852,732 | 2,165,787 | (14.5) | % |
| Restricted for closure and post-closure | 805,069 | 845,566 | (4.5) | % |
| Unrestricted | <u>1,457,381</u> | <u>1,041,104</u> | 40.0 | % |
| TOTAL NET POSITION | <u>\$ 4,115,182</u> | <u>\$ 4,052,457</u> | 1.6 | % |

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, 2017

TABLE A-2

CHANGES IN CHOCTAW ROAD LANDFILL'S NET POSITION

| | <u>2017</u> | <u>2016</u> | <u>Total % Change 2016-2017</u> | |
|--|------------------|---------------------|---|---|
| OPERATING REVENUES | | | | |
| PROGRAM REVENUES | | | | |
| Tipping fees | \$ 500,281 | \$ 559,629 | (10.6) | % |
| Recycling fees | <u>24,822</u> | <u>13,831</u> | 79.5 | % |
| TOTAL OPERATING REVENUES | 525,103 | 573,460 | (8.4) | % |
| OPERATING EXPENSES | | | | |
| Sanitation | <u>1,911,125</u> | <u>1,732,845</u> | 10.3 | % |
| TOTAL OPERATING EXPENSES | <u>1,911,125</u> | <u>1,732,845</u> | 10.3 | % |
| Operating loss | (1,386,022) | (1,159,385) | 19.6 | % |
| NON-OPERATING REVENUES | | | | |
| Interest income | 6,144 | 6,884 | (10.8) | % |
| Subsidies by participants: | | | | |
| Washington Parish Government | 801,709 | 669,603 | 19.7 | % |
| City of Bogalusa | <u>578,169</u> | <u>482,898</u> | 19.7 | % |
| TOTAL NON-OPERATING REVENUES | <u>1,386,022</u> | <u>1,159,385</u> | 19.6 | % |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | - | - | 0.0 | % |
| CAPITAL CONTRIBUTIONS | <u>62,725</u> | <u>1,659,562</u> | (96.2) | % |
| INCREASE IN NET POSITION | <u>\$ 62,725</u> | <u>\$ 1,659,562</u> | (96.2) | % |

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, 2017

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 26.2% 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 \$7,201,958 at the end of 2017 consisted of constructed cells in the amount of \$6,036,676 or 84% see Table A-3.

TABLE A-3

CAPITAL ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| CAPITAL ASSETS NOT BEING DEPRECIATED | | |
| Land | \$ 15,000 | \$ 15,000 |
| Construction in progress | <u>-</u> | <u>-</u> |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 15,000 | 15,000 |
| OTHER CAPITAL ASSETS | | |
| Land | 292,712 | 292,712 |
| Buildings | 233,376 | 233,376 |
| Cells and land work | 6,036,676 | 6,036,676 |
| Drop off facility | 185,575 | 185,575 |
| Equipment | <u>438,621</u> | <u>430,956</u> |
| TOTAL OTHER CAPITAL ASSETS | <u>7,186,960</u> | <u>7,179,295</u> |
| TOTAL CAPITAL ASSETS | <u>\$ 7,201,960</u> | <u>\$ 7,194,295</u> |

Due from City of Bogalusa

The City of Bogalusa's millage dedicated to funding their share of operations does not provide an adequate funding source to satisfy the actual capital expenditures and operating expenditures of the Landfill, thus the amount due from this partner continue to increase. Both partners are actively exploring a possible solution to this situation.

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, 2017

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.

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, 2017

ASSETS

CURRENT ASSETS

| | | |
|---|----|----------------|
| Cash and cash equivalents | \$ | 172,398 |
| Tipping fees receivable – (Net of allowance of \$778) | | 77,005 |
| Prepaid expenses | | 17,568 |
| Due from Washington Parish Government | | <u>807,830</u> |

TOTAL CURRENT ASSETS 1,074,801

NONCURRENT ASSETS

| | | |
|---|--|------------------|
| Restricted assets – (Certificates of Deposit for landfill closure and post-closure care costs) | | 426,116 |
| Due from City of Bogalusa | | 2,104,465 |
| Capital assets, net of depreciation | | <u>1,852,732</u> |

TOTAL NONCURRENT ASSETS 4,383,313

TOTAL ASSETS 5,458,114

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | | |
|---------------------------------------|--|----------------|
| Accounts payable and accrued expenses | | <u>111,747</u> |
|---------------------------------------|--|----------------|

TOTAL CURRENT LIABILITIES 111,747

NONCURRENT LIABILITIES

| | | |
|--|--|------------------|
| Landfill closure and post-closure care costs | | <u>1,231,185</u> |
|--|--|------------------|

TOTAL LIABILITIES 1,342,932

NET POSITION

| | | |
|---|--|------------------|
| Net invested in capital assets | | 1,852,732 |
| Restricted for closure and post-closure | | 805,069 |
| Unrestricted | | <u>1,457,381</u> |

TOTAL NET POSITION \$ 4,115,182

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, 2017

| | |
|---|---------------------|
| OPERATING REVENUES | |
| Tipping fees | \$ 500,281 |
| Recycling fees | <u>24,822</u> |
| TOTAL OPERATING REVENUES | 525,103 |
| OPERATING EXPENSES | |
| Landfill operations | 984,813 |
| Depreciation | 323,590 |
| Recycling | 12,189 |
| Engineering and testing | 121,506 |
| Salary and benefits | 284,724 |
| Insurance | 33,415 |
| Utilities | 20,956 |
| Repairs and maintenance | 91,665 |
| Office supplies | 4,579 |
| Legal | 167 |
| Accounting and auditing | 15,828 |
| Conference and travel | 1,158 |
| Telephone | 3,122 |
| Permits | 8,564 |
| Postage | 103 |
| Medical | 40 |
| Bank fees | 1,897 |
| Dues and subscriptions | 200 |
| Vehicles | <u>2,609</u> |
| TOTAL OPERATING EXPENSES | <u>1,911,125</u> |
| OPERATING LOSS | (1,386,022) |
| NON-OPERATING REVENUES | |
| Interest | 6,144 |
| Subsidies by participants | |
| Washington Parish Government | 801,709 |
| City of Bogalusa | <u>578,169</u> |
| TOTAL NON-OPERATING REVENUES | <u>1,386,022</u> |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | - |
| Capital Contributions | <u>62,725</u> |
| CHANGE IN NET POSITION | 62,725 |
| NET POSITION – BEGINNING OF YEAR | <u>4,052,457</u> |
| NET POSITION – END OF YEAR | <u>\$ 4,115,182</u> |

See Notes to Financial Statements.

CHOCTAW ROAD LANDFILL

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

STATEMENT OF PARTICIPANTS' EQUITY *For the Year Ended December 31, 2017*

| | <u>Washington Parish Government</u> | <u>City of Bogalusa</u> | <u>Total</u> |
|--|---|-----------------------------|---------------------|
| BALANCE, JANUARY 1, 2017 | \$ 2,505,682 | \$ 1,546,775 | \$ 4,052,457 |
| CHANGE IN NET POSITION FOR THE YEAR | <u>58,311</u> | <u>4,414</u> | <u>62,725</u> |
| BALANCE, DECEMBER 31, 2017 | <u>\$ 2,563,993</u> | <u>\$ 1,551,189</u> | <u>\$ 4,115,182</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, 2017

| | |
|--|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 560,302 |
| Payments to suppliers | <u>(1,573,782)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | (1,013,480) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Capital expenditures | (10,535) |
| Interest | <u>2,956</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (7,579) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Participants' subsidies | <u>1,098,182</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>1,098,182</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 77,123 |
| BALANCES – BEGINNING OF YEAR | <u>95,275</u> |
| BALANCES – END OF YEAR | <u>\$ 172,398</u> |
| RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | |
| Operating loss | \$ (1,386,022) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | |
| Depreciation | 323,590 |
| Decrease in tipping fees receivables | 35,199 |
| Decrease in accounts payable and accrued expenses | (2,213) |
| Decrease in prepaid expenses | 1,085 |
| Increase in landfill closure and post-closure care costs | <u>14,881</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (1,013,480)</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, 2017

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 Solid Waste 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 June 2011 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. The contract will end May 31, 2021.

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, second and third cells have been covered and completely closed since early 2008. Cells four and five have been covered and are expected to be completely closed in 2018. Construction was completed on cell six in July of 2016 and it was placed in service in October of 2016. The present Landfill site has an estimated nine cell capacity and an estimated remaining useful life of 18.25 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, 2017

NOTE 1 - 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
and the City of Bogalusa)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Year Ended December 31, 2017

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 | 6-20 years |
| Buildings/drop off facility | 34-45 years |
| Equipment | 5-15 years |

Compensated Absences

Four employees of the Washington Parish Government have been assigned to the Choctaw Road Landfill. Vacation paid is earned the year prior to it being taken. Vacation is earned by the number of years an employee has been with the Landfill. In order for an employee to take vacation time the employee must have one year of service with the Landfill.

| <u>Service years</u> | <u>8 hour days</u> |
|----------------------|--------------------|
| 1 – 2 | 5 days |
| 3 – 10 | 10 days |
| 11 – 15 | 15 days |
| 16 & greater | 20 days |

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences (Continued)

Vacation does not accumulate and is paid out at year-end or upon termination.

Sick leave does accumulate at one day per month with a maximum of 60 days and is not paid upon termination, but is paid out at retirement.

Employees are allowed to carryover up to 80 hours of vacation leave, under a use or lose assumption; however, an employee may be paid unused vacation time upon retirement. The Landfill has \$3,809 accrued for compensated absences as of December 31, 2017 which is recorded in accounts payable and accrued expenses.

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.

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2017, the Joint Venture had cash and cash equivalents (book balances) totaling \$172,398 as follows:

| | |
|----------------------------------|-------------------|
| Interest-bearing demand deposits | <u>\$ 172,398</u> |
| Total | <u>\$ 172,398</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, 2017, the Joint Venture had \$177,342 on deposit (collected bank balance). This account is secured from risk by \$177,342 of federal deposit insurance.

NOTE 3 - RESTRICTED ASSETS

At December 31, 2017, the Joint Venture had bank balances of \$424,355 in Certificates of Deposit. The investments are secured from risk by \$424,355 of federal deposit insurance and are 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 \$77,783 represent fees billed through December 31, 2017, but not yet collected. The allowance for doubtful accounts on these receivables at December 31, 2017 was \$778.

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, 2017

NOTE 5 - DUE FROM OTHER GOVERNMENTS

The \$807,830 and \$2,104,465 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 no payments in 2018. As such, the \$2,104,465 due from the City of Bogalusa is classified as noncurrent assets.

NOTE 6 - CAPITAL ASSETS

Capital assets consist of the following:

| | Balance at 01/01/17 | Additions | Deletions | Balance at 12/31/17 |
|--------------------------------------|------------------------|---------------------|----------------|------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Construction in progress | - | - | - | - |
| | <u>15,000</u> | - | - | <u>15,000</u> |
| Other Capital Assets | | | | |
| Land | 292,712 | - | - | 292,712 |
| Buildings | 233,376 | - | - | 233,376 |
| Cells and land work | 6,036,676 | - | - | 6,036,676 |
| Drop off facility | 185,575 | - | - | 185,575 |
| Equipment | 430,956 | 10,535 | (2,870) | 438,621 |
| | <u>7,179,295</u> | <u>10,535</u> | <u>(2,870)</u> | <u>7,186,960</u> |
| TOTAL CAPITAL ASSETS | 7,194,295 | 10,535 | (2,870) | 7,201,960 |
| ACCUMULATED DEPRECIATION | <u>(5,028,508)</u> | <u>(323,590)</u> | <u>2,870</u> | <u>(5,349,228)</u> |
| TOTAL CAPITAL ASSETS, NET | <u>\$ 2,165,787</u> | <u>\$ (313,055)</u> | <u>\$ -</u> | <u>\$ 1,852,732</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.

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, 2017

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

The estimated total current cost liability for landfill closure and post-closure care costs is \$2,598,598 as of December 31, 2017. It is estimated that \$1,145,258 will be recognized as closure costs, which is based on 60.96% 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 \$1,453,340 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 \$2,019,575 as of December 31, 2017. However, the actual costs of closure and post-closure care may be higher due to inflation, in excess of the assumed 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 2016 and the end of 2017. The increase in costs can be attributed to the increase in the closure, post-closure care costs.

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 2017 as follows:

$$\begin{array}{rcccl} \$2,019,575 & \times & \frac{28.5 \text{ yrs.}}{46.75 \text{ yrs.}} & = & \$1,231,185 - 1,216,304 = \$14,881 \end{array}$$

At December 31, 2017, the Joint Venture had invested \$426,116 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.

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, 2017

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 \$1,850,000.

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 \$357,438. For the year ended December 31, 2017, 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 1, 2018 which is the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 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, 2017

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, 2017. 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.

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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, 2017, and the related notes to the financial statements and have issued our report thereon dated May 1, 2018.

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 1, 2018.

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 1, 2018

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, 2017

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 No

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2017

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

None.

SECTION II - MANAGEMENT LETTER

MLC-2016-01 - Unresolved. See current year Memorandum of Advisory Comments 2017-01.

Memorandum of Advisory Comments

**CHOCTAW ROAD LANDFILL
(A joint venture of the
Washington Parish Government
and the City of Bogalusa)**

December 31, 2017

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| INTERNAL CONTROL AND RELATED MATTERS | |
| Auditors' Report..... | 1 |
| Comments and Suggestions: | |
| General Comments..... | 2 |
| Management's Corrective Action Plan | 3-4 |

***INTERNAL CONTROL
AND RELATED MATTERS***

Kushner LaGraize, L.L.C.

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Mr. Phillipp Bedwell, Chairman

WASHINGTON PARISH SOLID WASTE COMMITTEE

We have audited the financial statements of CHOCTAW ROAD LANDFILL ("the Landfill"), as of and for the year ended December 31, 2017, and have issued our report thereon dated May 1, 2018. As part of our audit we considered the Landfill's internal control in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

Our consideration of the internal controls has been reported on in a separately issued report entitled "*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.*"

This memorandum summarizes various other matters which have come to our attention. While not involving significant deficiencies, these matters do present opportunities for strengthening the internal control and improving the operating efficiency of the Landfill.

We have discussed our comments and recommendations with various administrative personnel and the Landfill has completed a corrective action plan. We will be pleased to discuss these comments and suggestions with you in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
May 1, 2018

**CHOCTAW ROAD LANDFILL
MANAGEMENT LETTER COMMENTS**

December 31, 2017

COMMENT

2017-01

Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City. It was noted during our audit that as of December 31, 2017, the Landfill has recorded a receivable balance of \$2,104,465 due from the City of Bogalusa (the City). This receivable consists of outstanding balances in the amounts of \$578,169, \$799,974, \$528,585 and \$197,737, from the years 2017, 2016, 2015 and 2014, respectively. Per review of the City's Audited Financial Statements as of December 31, 2016, 2015 and 2014, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of approximately \$357,438, \$351,666 and \$334,884, respectively. From this information, it appears the funding with which the City relies upon to support the Landfill is no longer sufficient to support their annual share of the Landfill's operational and capital costs.

Recommendation

As in prior year, we strongly recommend that management of both entities develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response

See Management's Corrective Action Plan



WASHINGTON PARISH

Richard N. Thomas, Jr., Parish President

Fax (985) 839-7828 • E-mail: rthomas@wpgov.org

* * * * *
www.wpgov.org

May 1, 2018

**MEMORANDUM OF ADVISORY COMMENTS
CORRECTIVE ACTION PLAN
December 31, 2017**

Louisiana State Legislative Auditor

Choctaw Road Landfill, a joint venture between Washington Parish Government and the City of Bogalusa, respectfully submits to you the following corrective action plan for the audit comments for the year ended December 31, 2017.

Kushner LaGraize, LLC
Certified Public Accountants and Consultants
3330 W Esplande Ave – Suite 100
Metairie, La 70002

Audit period: January 1, 2017 – December 31, 2017

Comments

2017-01

Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City. It was noted during our audit that as of December 31, 2017, the Landfill has recorded a receivable balance of \$2,104,465 due from the City of Bogalusa (the City). This receivable consists of outstanding balances in the amounts of \$578,169, \$799,974, \$528,585, and \$197,737, from the years 2017, 2016, 2015, and 2014, respectively. Per review of the City's Audited Financial Statements as of December 31, 2016, 2015 and 2014, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues

of approximately \$357,438, \$351,666 and \$334,884, respectively. From this information, it appears the funding with which the City relies upon to support the Landfill is no longer sufficient to support their annual share of the Landfill's operational and capital costs.

Recommendation

As in prior year, we strongly recommend that management of both entities develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response:

Washington Parish Government and the City of Bogalusa officials met in early 2017 to discuss options for resolving the City's inability to currently fund its capital and operating obligations to the Joint Venture. The Parish is negotiating a solution with the City of Bogalusa, which will involve an exchange of capital ownership (equity) for outstanding debt. In late March 2018, the Parish's legal counsel and Finance Director met with the Louisiana Legislative Auditor's legal counsel to discuss the proposed solution and other options to remedy the problem. On April 9, 2018, the Washington Parish Council passed resolution 18-859, to consider entering into an Intergovernmental Agreement with the City of Bogalusa to negotiate a debt for equity arrangement.

Kushner LaGraize, L.L.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Washington Parish Government, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa (the Landfill) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

I. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

N/A – The Landfill does not prepare a budget for its operations during the year, nor is it required by law.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We obtained the entity's policies on purchasing and noted no exceptions.

c) **Disbursements**, including processing, reviewing, and approving.

We obtained the entity's policies on disbursements and noted no exceptions.

- d) **Receipts**, including receiving, recording, and preparing deposits.

We obtained the entity's policies on receipts and noted no exceptions.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

We obtained the entity's payroll and personnel policies and noted no exceptions.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

We obtained the entity's policies on contracting and noted no exceptions.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

N/A – The Landfill does not have credit cards, bank debit cards, fuel cards or P-cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

We obtained the entity's policies on travel and expense reimbursements and noted no exceptions.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
Note: Ethics requirements are not applicable to nonprofits.

We obtained the entity's policies on ethics and noted no exceptions.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

N/A – we noted that the entity has no debt outstanding.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Solid Waste Committee met once during 2017, with a quorum present. The Landfill does not have an established policy or requirement dictating the number of meetings which should occur during the year.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

N/A – The Landfill does not prepare a budget for operations.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

N/A – see above.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We noted the minutes included non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We were provided with a listing showing one deposit account and management's representation that this list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We were provided with reconciliations for the account for every month of the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We noted the Finance Director's approval on each of the reconciliations provided. The Finance Director does have involvement with the transactions through her review and approval process.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We noted no items outstanding for more than 6 months at the end of the fiscal period.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the listing, showing one collection location and management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided the documentation for the selected location. No exceptions were noted.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Management provided the documentation for the selected location. No exceptions were noted.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not

made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. Of the 3 collections tested, 1 was not deposited within one day of the receipt. The number of days from receipt to deposit was 4 days.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Management provided the required documentation for the selected deposits. We noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Management provided the policy manual containing a process to determine completeness of collections. We noted no exceptions with this policy.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the general ledger and we obtained management's representation that the general ledger is complete. We filtered for disbursements and removed all travel and expense reimbursements.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Each selection, other than monthly recurring bills, were initiated using the entity's purchase order system, without exception.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Each selection showed evidence of approval by a person who did not initiate the purchase, without exception.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All appropriate documentation was provided for each selection, without exception.

- 10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We obtained the required documentation and noted that the person responsible for processing payments also has the ability to add vendors to the entity's purchasing system. All payments processed are required to be approved by the Comptroller or Finance Director before payment is made.

- 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We obtained the required documentation and noted that only the Finance Director, who has signatory authority, has access to the purchasing system.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We noted the checks are maintained in a locked location by the accounts payable clerk. The Finance Director has signatory authority and access to the purchasing system and unused checks.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Per discussion with entity personnel, signature stamps are used with prior approval from the signer. When the stamp is used, documentation of this approval is not maintained.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

N/A – The Landfill does not have credit cards, bank debit cards, fuel cards or P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.])

N/A – see above.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

N/A – see above.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

N/A – see above.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

N/A – see above.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

N/A – see above.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

N/A – see above.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

N/A – see above.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing and management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Management provided their written policies and we noted no amounts that exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We noted no exceptions with the entity's written policies for the selected transactions.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We were provided with an original itemized receipt for each of the selected transactions, without exception.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

We noted documentation of the business/public purpose on each of the selected transactions, without exception.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We noted all required documentation was provided with each of the selected transactions, without exception.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted that all selected transactions showed evidence of review and approval by someone other than the person receiving the reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing and management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We were provided with formal/written contracts for each selection, without exception.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

All of the selected contracts were subject to the Louisiana Public Bid Law and Procurement Code. No exceptions were noted with legal requirements pertaining to each contract.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

N/A

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We noted no contracts selected were amended during the year.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We noted no exceptions in the selected invoices.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We noted Board approval on all selected contracts, without exception.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Of the selected employees/officials, we noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

All changes noted in our selection were approved in writing and in accordance with the entity's written policy.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Of the selected employees, we noted no exceptions related to documentation of daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisory approvals were noted on all selections, without exception.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written leave records were noted for all selections, without exception.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We obtained the requested list from management, noting one termination payment made during the period. Payment was made in accordance with policies and approved by management, without exception.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We obtained supporting documentation for all payroll tax and retirement contribution payments during the year, without exception. All payments and required reporting forms were submitted to the appropriate agencies by the required deadlines, without exception.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

We obtained the required ethics training documentation on the five selections, without exception.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per management, there were no ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

N/A – no debt was issued.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

N/A - We noted the entity had no outstanding debt during the year.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

N/A – no tax millages were related to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per management, there were no funds or assets misappropriated during the period.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.I. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We viewed the notice required by R.S. 24:523.I posted on the entity's premise and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

N/A – no exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kushner LaGraize, L.L.C.

May 1, 2018
Metairie, Louisiana