

CHOCTAW ROAD LANDFILL
AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2019

CHOCTAW ROAD LANDFILL

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INDEPENDENT AUDITORS' REPORT

Choctaw Road Landfill
Franklinton, Louisiana

We have audited the accompanying financial statements of Choctaw Road Landfill (the Landfill), as of and for the year ended December 31, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in NOTE 9 to the financial statements, effective December 31, 2019, the Washington Parish Government and the City of Bogalusa dissolved their Joint Venture transferring ownership of the Choctaw Road Landfill to the Washington Parish Government. The financial statements were prepared to reflect this transaction. Our opinion is not modified with respect to this matter.

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 9 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 June 11, 2020 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
June 11, 2020

CHOCTAW ROAD LANDFILL

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2019

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, 2019. Please read it in conjunction with the Landfill's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Tipping fee revenue showed an increase from 2018 due to an increase in tipping fees from \$30 per ton in 2018 to \$35 per ton in 2019. Expenditures, in total, increased 48.5%, mainly due to the increase of the Estimated Closure and Post-Closure Care Costs. The corresponding liability increased 46.5%. These increases are attributable to the addition of cell 7 and extension of the life of cell 6.

In late 2018, it was determined that waste operations at Cell 6 would soon reach the point at which vertical expansion from its base would become necessary to provide adequate working area to maximize horizontal growth and use of airspace. On May 6, 2019, the parish council passed Resolution 19-914 authorizing advertisement for bids of the construction of an additional cell (Cell 7). In July 2019, a contract was awarded to the low bidder, Creel Brothers, Inc. in the amount of \$1,625,605.62 for construction of Cell 7. As of December 31, 2019, construction is 87% complete.

Effective December 31, 2019, the Washington Parish Government and the City of Bogalusa agreed to dissolve their partnership in the Joint Venture with a debt for equity transfer totaling \$2,541,650. As such, the Washington Parish Government became the sole owner of the Landfill and responsible for all operations. The financial statements reflect this transaction and more detail can be found in NOTE 9 of the footnotes.

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

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2019

FINANCIAL ANALYSIS OF THE LANDFILL AS A WHOLE

Net position of the Landfill decreased 17.9% to \$3,420,864 at December 31, 2019 from \$4,165,508 at December 31, 2018. This is due to an increase in closure post-closure care costs in the amount of \$401,087 in 2019 and the dissolution of the Joint Venture. Unrestricted net position shows a deficit of \$634,478 at the end of 2019 (see Table A-1).

TABLE A-1

CHOCTAW ROAD LANDFILL'S NET POSITION

	<u>2019</u>	<u>2018</u>	<u>Total % Change 2018-2019</u>	
CURRENT ASSETS	\$ 1,548,447	\$ 1,065,718	45.3	%
NONCURRENT ASSETS	863,009	2,565,416	(66.4)	%
CAPITAL ASSETS, NET OF DEPRECIATION	<u>3,317,608</u>	<u>1,528,668</u>	117.0	%
TOTAL ASSETS	5,729,064	5,159,802	11.0	%
CURRENT LIABILITIES	1,044,201	131,382	694.8	%
NONCURRENT LIABILITIES	<u>1,263,999</u>	<u>862,912</u>	46.5	%
TOTAL LIABILITIES	2,308,200	994,294	132.1	%
NET POSITION				
Net investment in capital assets	3,317,608	1,528,668	117.0	%
Restricted for closure and post-closure	737,734	433,442	70.2	%
Unrestricted	<u>(634,478)</u>	<u>2,203,398</u>	(128.8)	%
TOTAL NET POSITION	<u>\$ 3,420,864</u>	<u>\$ 4,165,508</u>	(17.9)	%

CHOCTAW ROAD LANDFILL

Franklinton, Louisiana
Management's Discussion and Analysis
December 31, 2019

TABLE A-2

CHANGES IN CHOCTAW ROAD LANDFILL'S NET POSITION

	<u>2019</u>	<u>2018</u>	<u>Total % Change 2018-2019</u>	
OPERATING REVENUES				
PROGRAM REVENUES				
Tipping fees	\$ 491,772	\$ 430,362	14.3	%
Recycling fees	<u>23,183</u>	<u>26,028</u>	10.9	%
TOTAL OPERATING REVENUES	514,955	456,390	12.8	%
OPERATING EXPENSES				
Sanitation	<u>2,109,674</u>	<u>1,420,786</u>	48.5	%
TOTAL OPERATING EXPENSES	<u>2,109,674</u>	<u>1,420,786</u>	48.5	%
Operating loss	(1,594,719)	(964,396)	65.4	%
NON-OPERATING REVENUES				
Interest income	18,557	6,206	199.0	%
Subsidies by participants:				
Washington Parish Government	915,750	556,708	64.5	%
City of Bogalusa	<u>517,827</u>	<u>401,482</u>	29.0	%
TOTAL NON-OPERATING REVENUES	<u>1,452,134</u>	<u>964,396</u>	50.6	%
NET LOSS BEFORE CAPITAL CONTRIBUTIONS & SPECIAL ITEMS	(142,585)	-	(100.0)	%
Capital contributions	1,939,591	50,326	3,574.1	%
Dissolution of Joint Venture	<u>(2,541,650)</u>	<u>-</u>	(100.0)	%
TOTAL CAPITAL CONTRIBUTIONS & SPECIAL ITEMS	<u>(602,059)</u>	<u>50,326</u>	(1,296.3)	%
CHANGE IN NET POSITION	<u>\$ (744,644)</u>	<u>\$ 50,326</u>	(1,579.6)	%

CHOCTAW ROAD LANDFILL

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2019

Changes in Net Position

The Landfill's funding sources are tipping fees generated from a \$35 per ton fee billed to commercial customers which funded 23.3% 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%. With the dissolution of the Joint Venture effective December 31, 2019, the Washington Parish Government will be the sole source for subsidy funding.

Capital Assets

Most of the Landfill's capital assets of \$9,147,947 at the end of 2019 consisted of constructed cells and cells in the process of construction in the amount of \$7,937,158 or 87% see Table A-3.

TABLE A-3

CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
CAPITAL ASSETS NOT BEING DEPRECIATED		
Land	\$ 15,000	\$ 15,000
Construction in progress	<u>1,900,482</u>	<u>-</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,915,482	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>484,126</u>	<u>438,621</u>
TOTAL OTHER CAPITAL ASSETS	<u>7,232,465</u>	<u>7,186,960</u>
TOTAL CAPITAL ASSETS	<u>\$ 9,147,947</u>	<u>\$ 7,201,960</u>

CHOCTAW ROAD LANDFILL

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2019

Due from City of Bogalusa

The revenue provided by the City of Bogalusa's 5-mill ad valorem tax dedicated to landfill operations is insufficient to support the City's obligation for its portion of the Landfill's capital expenditures and operating costs. The amount due to the Landfill by the City has accumulated over time. In order to fulfill their statutory obligation to provide for solid waste disposal for the health, safety and welfare of its citizens, the two partners negotiated an equitable solution whereby the City will transfer their equity in exchange for a substantial portion of the liability due to the Landfill. Both parties have, by reciprocal ordinances, agreed to, and do hereby enter into an Intergovernmental Agreement (IGA) addressing the terms of the settlement. The IGA provides for settlement of the remaining agreed upon liability (\$336,744), from the excess of the dedicated millage over the City's current year solid waste tonnage cost for three next years. As per the IGA, the balance will be paid in full by March 31, 2024.

Subsequent Events

Dissolution of Joint Venture

On May 26, 2020, the City of Bogalusa and Washington Parish Government solidified an agreement, effective December 31, 2019, in which the City of Bogalusa settled a considerable amount of its debt to the Landfill by offsetting the outstanding debt with its equity interest in the Joint Venture. The agreement transferred the City's 41.9% ownership in the Landfill to the Washington Parish Government and terminated the current Joint Venture agreement between the parties.

Continued operations for the City of Bogalusa and its residents with the Choctaw Road Landfill are detailed in the Intergovernmental Agreement as further described: For a term of ten (10) years, effective January 1, 2020 and ending December 31, 2029, the Parish and City agree that Bogalusa's residential solid waste, as well as the City of Bogalusa's solid waste, may be disposed of in the Choctaw Road Landfill at a rate of \$37.50 per ton for garbage, residential construction debris, sludge, tree limbs, yard trash and other noncommercial categories as historically provided to the residents of the City by the Choctaw Road Landfill. The rate per ton shall be adjusted annually beginning January 1, 2021 by the amount of the increase in the consumer price index for the prior calendar year end of December 31st as published by the United States Government. These solid waste tonnage costs will be funded by the City's ad valorem tax dedicated to landfill operations.

CHOCTAW ROAD LANDFILL

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2019

Cell 7 construction

During August of 2019, construction on Cell 7 began. As of December 31, 2019, construction in progress related to Cell 7 totaled \$1,900,482. The addition of Cell 7 for waste placement now allows for higher vertical expansion of Cell 6. This provides a greater base footprint for future waste placement, thus creating a tremendous increase in available air space for landfill operations.

Economic Factors

The Washington Parish Government's funding source for subsidizing the Landfill is restricted, and 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

STATEMENT OF NET POSITION

December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	269,864
Tipping fees receivable – (Net of allowance of \$556)		55,054
Prepaid expenses		16,417
Due from City of Bogalusa		381,340
Due from Washington Parish Government		<u>825,772</u>

TOTAL CURRENT ASSETS 1,548,447

NONCURRENT ASSETS

Restricted assets – (Certificates of Deposit for landfill closure and post-closure care costs)		526,265
Due from City of Bogalusa		336,744
Capital assets, net of depreciation		<u>3,317,608</u>

TOTAL NONCURRENT ASSETS 4,180,617

TOTAL ASSETS 5,729,064

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>1,044,201</u>
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TOTAL CURRENT LIABILITIES 1,044,201

NONCURRENT LIABILITIES

Landfill closure and post-closure care costs	<u>1,263,999</u>
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TOTAL LIABILITIES 2,308,200

NET POSITION

Net investment in capital assets	3,317,608
Restricted for closure and post-closure	737,734
Unrestricted	<u>(634,478)</u>

TOTAL NET POSITION \$ 3,420,864

CHOCTAW ROAD LANDFILL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2019

OPERATING REVENUES	
Tipping fees	\$ 491,772
Recycling fees	<u>23,183</u>
TOTAL OPERATING REVENUES	514,955
OPERATING EXPENSES	
Landfill operations	1,306,027
Depreciation	157,047
Recycling	13,586
Engineering and testing	93,285
Salary and benefits	312,055
Insurance	32,129
Utilities	20,150
Repairs and maintenance	124,451
Office supplies	3,983
Legal	860
Accounting and auditing	19,850
Conference and travel	1,545
Telephone	2,966
Permits	14,310
Postage	139
Bank fees	3,136
Vehicles	<u>4,155</u>
TOTAL OPERATING EXPENSES	<u>2,109,674</u>
OPERATING LOSS	(1,594,719)
NON-OPERATING REVENUES	
Interest	18,557
Subsidies by participants	
Washington Parish Government	915,750
City of Bogalusa	<u>517,827</u>
TOTAL NON-OPERATING REVENUES	<u>1,452,134</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS & SPECIAL ITEMS	(142,585)
Capital contributions	1,939,591
Loss on dissolution of Joint Venture	<u>(2,541,650)</u>
TOTAL CAPITAL CONTRIBUTIONS & SPECIAL ITEMS	<u>(602,059)</u>
CHANGE IN NET POSITION	(744,644)
NET POSITION – BEGINNING OF YEAR	<u>4,165,508</u>
NET POSITION – END OF YEAR	<u><u>\$ 3,420,864</u></u>

CHOCTAW ROAD LANDFILL
STATEMENT OF PARTICIPANTS' EQUITY
For the Year Ended December 31, 2019

	Washington Parish <u>Government</u>	City of Bogalusa <u></u>	<u>Total</u>
BALANCE, JANUARY 1, 2019	\$ 2,614,319	\$ 1,551,189	\$ 4,165,508
RECLASS OF PARTICIPANTS' EQUITY	(194,159)	194,159	-
CAPITAL CONTRIBUTIONS	1,143,289	796,302	1,939,591
CHANGE IN NET POSITION FOR THE YEAR	<u>(142,585)</u>	<u>-</u>	<u>(142,585)</u>
BALANCE BEFORE DISSOLUTION	3,420,864	2,541,650	5,962,514
DISSOLUTION OF JOINT VENTURE- EQUITY TRANSFER	<u>-</u>	<u>(2,541,650)</u>	<u>(2,541,650)</u>
BALANCE, DECEMBER 31, 2019	<u><u>\$ 3,420,864</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,420,864</u></u>

CHOCTAW ROAD LANDFILL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 545,230
Payments to suppliers	<u>(637,243)</u>
NET CASH USED IN OPERATING ACTIVITIES	(92,013)
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed asset purchases	(1,945,987)
Net change in certificate of deposits	(91,279)
Capital contributions	1,039,108
Interest	<u>13,041</u>
NET CASH USED IN INVESTING ACTIVITIES	(985,117)
CASH FLOWS FROM FINANCING ACTIVITIES	
Participants' subsidies	<u>1,199,364</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,199,364</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,234
BALANCES – BEGINNING OF YEAR	<u>147,630</u>
BALANCES – END OF YEAR	<u><u>\$ 269,864</u></u>
RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net operating loss	\$ (1,594,719)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	157,047
Decrease in tipping fees receivables	30,275
Increase in accounts payable and accrued expenses	912,819
Decrease in prepaid expenses	1,478
Increase in landfill closure and post-closure care costs	<u>401,087</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (92,013)</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Transfer of non-cash debt for equity for dissolution of Joint Venture	<u><u>\$ 2,541,650</u></u>

CHOCTAW ROAD LANDFILL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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 Landfill). In 1998, this agreement was formalized in writing. The landfill was opened in July of 1989 as a Joint Venture. 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 December 1, 2020.

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 were completely closed in 2018. Cell 6 was completed and placed into service in October of 2016. In August 2019, the Landfill began construction on Cell 7. The present Landfill site has an estimated nine cell capacity and an estimated remaining useful life of 17.25 years.

In May 2020, an Act of Sale was signed transferring ownership of the Landfill to the Parish Government, thus dissolving the Joint Venture agreement between the Parish Government and the City of Bogalusa, effective December 31, 2019. The dissolution of the Joint Venture has been reflected in the financial statements as of December 31, 2019. See NOTE 9 for further explanation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Landfill 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
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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. Although the Joint Venture was dissolved effective December 31, 2019, the Landfill operated as such throughout 2019. Accordingly, the 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 Landfill 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
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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 Landfill 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
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences (Continued)

Sick leave accrues at one day per month with a maximum accumulation of 60 days (480 hours) and is not paid upon termination, but may be paid out at retirement. Upon application for retirement by an employee who has served the Parish for 20 years or more, the employee may be paid accrued sick leave not to exceed 72 days (576 hours).

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 \$22,688 accrued for compensated absences as of December 31, 2019 which is recorded in accounts payable and accrued expenses.

Employees may opt to convert any accumulated, unused and unpaid sick or annual leave to additional retirement benefit credit upon application for normal retirement with the Parochial Employees' Retirement System of Louisiana.

Net Position

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

- A. Net investments 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.

CHOCTAW ROAD LANDFILL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Risk Management

The Landfill 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. In addition, the Landfill 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.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2019, the Landfill had cash and cash equivalents (book balances) totaling \$269,864 as follows:

Interest-bearing demand deposits	\$ <u>269,864</u>
Total	\$ <u>269,864</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 Landfill's deposits may not be returned to it. At December 31, 2019, the Landfill had \$280,628 on deposit (collected bank balance). Of this balance, \$250,000 is fully secured from risk by federal deposit insurance. The remainder of \$30,628, which was exposed to custodial credit risk, was collateralized with securities held by the pledging financial institution's agent or agent in Washington Parish's name.

NOTE 3 - RESTRICTED ASSETS

At December 31, 2019, the Landfill had bank balances of \$525,029 in Certificates of Deposit. The investments are secured from risk by \$500,000 of federal deposit insurance and \$25,029 of pledged securities, and are restricted for landfill closure and post-closure care costs.

CHOCTAW ROAD LANDFILL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of one type of receivable. Tipping fees (landfill use fees) totaling \$55,610 represent fees billed through December 31, 2019, but not yet collected. The allowance for doubtful accounts on these receivables at December 31, 2019 was \$556.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

The \$825,772 and \$718,084 of due from the Washington Parish Government and the City of Bogalusa, respectively, represents their portion of uncollected appropriations and reimbursements occurring during the year according to the Joint Venture Agreement.

As of the date of this report, of the \$718,084 due from the City of Bogalusa, \$381,340 is classified as current assets, with the remaining \$336,744 classified as noncurrent assets.

NOTE 6 - CAPITAL ASSETS

Capital assets consist of the following:

	Balance at 01/01/19	Additions	Deletions	Balance at 12/31/19
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>-</u>	<u>1,900,482</u>	<u>-</u>	<u>1,900,482</u>
	15,000	1,900,482	-	1,915,482
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>45,505</u>	<u>-</u>	<u>484,126</u>
	<u>7,186,960</u>	<u>45,505</u>	<u>-</u>	<u>7,232,465</u>
TOTAL CAPITAL ASSETS	7,201,960	1,945,987	-	9,147,947
ACCUMULATED DEPRECIATION	<u>(5,673,292)</u>	<u>(157,047)</u>	<u>-</u>	<u>(5,830,339)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,528,668</u>	<u>\$ 1,788,940</u>	<u>\$ -</u>	<u>\$ 3,317,608</u>

CHOCTAW ROAD LANDFILL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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 \$2,432,990 as of December 31, 2019. It is estimated that \$979,110 will be recognized as closure costs, which is based on 63.10% 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 \$1,453,880 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 \$2,003,117 as of December 31, 2019. 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 2018 and the end of 2019. The increase in costs can be attributed to the construction of Cell 7 and expansion of Cell 6.

Cumulative capacity used is defined as the number of years the Landfill 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 an expense for 2019 as follows:

$$\begin{array}{rcccl} \$2,003,117 & \times & \frac{29.5 \text{ yrs.}}{46.75 \text{ yrs.}} & = & \$1,263,999 - 862,912 = \$401,087 \end{array}$$

CHOCTAW ROAD LANDFILL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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

At December 31, 2019, the Landfill had invested \$526,265 in certificates of deposit for landfill closure and post-closure care costs. Further, the Washington Parish Council passed a resolution 15-695 on August 10, 2015, to add 1/30 of the closure and post-closure care costs at December 31st of each year to the certificate of deposit for the next 30 years.

NOTE 8 - SOURCE OF LANDFILL SUBSIDY

The Washington Parish Government has dedicated tax revenues that are available to fund the Landfill.

The 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 \$2,000,000.

NOTE 9 - SUBSEQUENT EVENTS

In May 2020, the Washington Parish Government and the City of Bogalusa reached an agreement, effective December 31, 2019, in which the City of Bogalusa settled a considerable amount of its debt to the Joint Venture by offsetting the outstanding debt with its equity interest in the Joint Venture. The agreement transferred the City of Bogalusa's 41.9% ownership in the Landfill to the Washington Parish Government and terminated the current Joint Venture agreement between the parties. In addition, the City's remaining outstanding debt will be paid in accordance with the new intergovernmental agreement, which will also provide for the continued disposal of solid waste at a rate affordable to Bogalusa.

Subsequent to year end, the world has encountered a global pandemic (COVID-19 virus) that has significantly affected the economy and operations of many businesses. While the disruption is currently expected to be temporary, the potential financial impacts are unknown at this time.

Subsequent events were evaluated through June 11, 2020, which is the date the financial statements were available to be issued. No other subsequent events have occurred since December 31, 2019 that required recognition or disclosure in these financial statements.

OTHER SUPPLEMENTAL INFORMATION
CHOCTAW ROAD LANDFILL

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEADS
For the Year Ended December 31, 2019

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, 2019. 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.



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, 2019, and the related notes to the financial statements and have issued our report thereon dated June 11, 2020.

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*.

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
June 11, 2020

CHOCTAW ROAD LANDFILL

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2019

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
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2019

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

None.

SECTION II - MANAGEMENT LETTER

MLC-2018-01 - Resolved.