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CHOCTAW ROAD LANDFILL

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

General-Purpose Financial Statements and
Independent Auditor's Reports

Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-11-04

RICHARD M. SEAL
CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
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December 31, 2003

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RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON THE GENERAL-PURPOSE FINANCIAL STATEMENTS

Choctaw Road Landfill
Franklinton, Louisiana

I have audited the accompanying general-purpose financial statements of the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Choctaw Road Landfill's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 8, 2004 on my consideration of the Choctaw Road Landfill's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants.


Certified Public Accountant

Bogalusa, Louisiana
June 8, 2004

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
Balance Sheet
December 31, 2003

ASSETS

Current assets:		
Tipping fees receivable	\$ 93,865	
Investments:		
Certificate of deposit	100,153	
Due from City of Bogalusa	<u>22,886</u>	
Total current assets		216,904
Property and equipment:		
Land	307,712	
Buildings	204,428	
Cells and landwork	2,590,558	
Other	<u>278,034</u>	
Total property and equipment	3,380,732	
Less accumulated depreciation	<u>(2,402,516)</u>	
Net property and equipment		<u>978,216</u>
Total Assets		<u><u>\$1,195,120</u></u>

LIABILITIES AND PARTICIPANTS' EQUITY

Current liabilities:		
Accounts payable	\$ 59,680	
Due to Washington Parish Government	36,502	
Long-term obligations:		
Landfill closure and postclosure care costs	<u>275,844</u>	
Total liabilities		372,026
Participants' equity:		
Washington Parish Government	478,218	
City of Bogalusa	<u>344,876</u>	
		<u>823,094</u>
Total Liabilities and Participants' Equity		<u><u>\$1,195,120</u></u>

The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
 (A Joint Venture of the Washington Parish Government
 and the City of Bogalusa)
Statement of Income
 For the Year Ended December 31, 2003

REVENUE

Tipping fees	\$ 298,240	
Miscellaneous	153	
Subsidies by participants —		
Washington Parish Government	408,809	
City of Bogalusa	<u>294,821</u>	
Total revenue		\$1,002,023

EXPENSES

Landfill operations contract	519,929	
Depreciation	160,248	
Estimated current cost of landfill closure and postclosure care costs (decrease)	(7,833)	
Engineering and testing	66,444	
Salary and benefits	46,265	
Insurance	47,249	
Accounting and auditing	13,942	
Utilities	10,922	
Repairs and maintenance	19,629	
Permits	1,774	
Miscellaneous	3,637	
Conferences and travel	<u>4,048</u>	
Total expenses		<u>886,254</u>

Net income for the year		<u><u>\$ 115,769</u></u>
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The accompanying notes are an integral part of this statement.

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, 2003

	Washington Parish Government, 58.1%	City of Bogalusa, 41.9%	Total, 100%
Balance, January 1, 2003	\$ 410,956	\$ 296,369	\$ 707,325
Net income for the year	<u>67,262</u>	<u>48,507</u>	<u>115,769</u>
Balance, December 31, 2003	<u>\$ 478,218</u>	<u>\$ 344,876</u>	<u>\$ 823,094</u>

The accompanying notes are an integral part of this statement.

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, 2003

CASH FLOWS FROM OPERATIONS

Operating income (loss)	\$ 115,769
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	160,248
Closure and postclosure care costs	(7,883)
(Increase) decrease in:	
Investments	(100,153)
Accounts receivable	(41,638)
Due to participants	101,267
Increase (decrease) in:	
Accounts payable	(16,700)
Due from participants	36,502
Net cash flow provided by operating activities	247,412

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(247,412)
Net cash used by capital and related financing activities	(247,412)

NET INCREASE IN CASH AND CASH EQUIVALENTS	-
Cash and cash equivalents at beginning of year	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -

Choctaw Road Landfill paid \$ -0- interest in 2003.

The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
Notes to the General-Purpose Financial Statements
December 31, 2003

INTRODUCTION

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). 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.

Parish Government is the "managing partner" and is responsible for the day to day operations of the joint venture. The Joint Venture Committee, which is comprised of council members of the City and Parish Government, meets periodically to discuss landfill operations. The members of the committee keep their respective governments informed about landfill operations. Both governments must agree on anything other than normal operations.

The landfill operates on a "cell basis", that is, only a portion or "cell" of the landfill is used at a time. Certain materials and equipment used to contain the waste and monitor the environmental effect of landfill operations, such as liners and leachate collection systems, are installed before the cell is ready to receive waste in accordance with federal and state requirements. Final cover is applied to each cell once it is filled to capacity. The first and second cells have been covered, and the third cell began accepting solid waste in 1999. The present landfill site has an estimated nine cell capacity and an estimated useful life of 46.75 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Choctaw Road 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

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

Notes to the General Purpose Financial Statements (Continued).

B. REPORTING ENTITY

GASB Statement No. 14 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." Statement No. 14 also established that such joint ventures are stand-alone reporting entities. Therefore, the Choctaw Road Landfill has applied the provisions of Statement No. 14 as if it were a primary government.

C. 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 cost (expenses, including depreciation) of providing services on a continuing basis be financed or, recovered primarily through user charges and subsidies by the participants.

D. 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.

Expenditures - All operating expenses, except depreciation and the current cost for closure and postclosure care, are recorded when they are

CHOCTAW ROAD LANDFILL

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

Notes to the General Purpose Financial Statements (Continued).

incurred. Depreciation and the current cost for closure and postclosure are recorded at year-end.

E. 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.

F. FIXED ASSETS

Fixed assets are included on the balance sheet 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 postclosure 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.

G. CURRENT COST OF CLOSURE AND POSTCLOSURE CARE

The estimated total current cost of the landfill is 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:

$$\frac{\text{Estimated total current Cost X cumulative Capacity used}}{\text{Total estimated capacity}} \text{ — Amount previously recognized}$$

H. COMPENSATED ABSENCES

One employee of the Washington Parish Government has been assigned to the Choctaw Road Landfill. The joint venture has no employees, and no liability for compensated absences.

CHOCTAW ROAD LANDFILL

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

Notes to the General Purpose Financial Statements (Continued).

I. 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: injuries to employees: and natural disasters. The Joint Venture manages these losses through the purchase of commercial insurance.

J. 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 - SOLID WASTE LANDFILL 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 postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The estimated liability for landfill closure and postclosure care costs has a balance of \$275,844 as of December 31, 2003, which is based on 31 percent usage (filled) of the landfill. It is estimated that an additional \$613,516 will be recognized as closure and postclosure care expenses between the date of balance sheet and the date the landfill is expected to be filled to capacity in 2035. The estimated total negative current cost of the landfill closure and postclosure care (\$7,833) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2003. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

At December 31, 2003, the joint venture had invested \$100,153 in a certificate of deposit for landfill closure and postclosure care costs. Further, the Washington Parish Council passed a resolution on April 14, 2003, to add 1/30 of the closure and postclosure costs at December 31 of each year to the certificate of deposit for the next 30 years.

CHOCTAW ROAD LANDFILL

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

Notes to the General Purpose Financial Statements (Continued).

NOTE 3 - PARTICIPANTS' SOURCES OF DEDICATED REVENUE

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

Washington Parish Government receives a 0.67% sales tax imposed parishwide, 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 \$1,900,000.

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 2011, and generates annual revenue of approximately \$265,000.

NOTE 4 - LANDFILL OPERATION CONTRACT

The Parish Government and the City entered into a contract with Double C Transportation, Inc. to operate the Landfill. The contract began on June 26, 1991 and continued for approximately ten years depending on cell usage. The fee for services rendered by the contractor began at \$27,820 per month with annual adjustments to reflect fluctuations in the Consumers Price Index. Double C Transportation, Inc. changed its name to Landworks, Inc. on January 12, 1993.

On December 20, 2000, the Parish Government and the City entered into a new contract with Landworks, Inc. to operate the landfill effective June 1, 2001. The term of the contract is either, the life of Cell No. 3 or approximately ten years, whichever event occurs last.

NOTE 5 - LITIGATION AND CLAIMS

There were no pending or threatened litigation concerning the Joint Venture, nor any unasserted claims or assessments.

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

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

Choctaw Road Landfill
Franklinton, Louisiana

I have audited the financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2003, and have issued my report thereon dated June 8, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Choctaw Road Landfill's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Choctaw Road Landfill's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily

disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of Choctaw Road Landfill's management and the office of the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountant

Bogalusa, Louisiana
June 8, 2004

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa, Louisiana)
Schedule of Findings
For the Year Ended December 31, 2003

I have audited the financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2003, and have issued my report thereon dated June 8, 2004. I conducted my 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. My audit of the financial statements as of December 31, 2003 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses [] Yes [X] No Reportable Conditions [] Yes [X] No

Compliance

Compliance Material to Financial Statements [X] Yes [] No

Section II Financial Statements Findings

Material Noncompliance

2003-1 NO WRITTEN MINUTES

Criteria - State law (R.S. 42:7.1) requires that all public bodies keep written minutes of all of their open meetings that include:

1. The date, time, and place of the meeting.
2. The members of the public body recorded as either present or absent.
3. The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken.
4. Any other information that the public body requests be included or reflected in the minutes.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa, Louisiana)
Schedule of Findings
For the Year Ended December 31, 2003

Section II Financial Statements Findings (Cont'd)

2003-1 NO WRITTEN MINUTES (Cont'd)

Condition - There were no written minutes of the meetings of the Joint Venture Committee during 2003.

Auditor's Recommendation - Written minutes should be maintained as required by state law.

Management's Response - Minutes will be kept of every meeting and a copy will be sent to the Parish Council Office. The format to be used for the minutes will be furnished by the Parish Government Office and Troy Barber will record these minutes.

CHOCTAW ROAD LANDFILL
 (A Joint Venture of the Washington Parish Government
 and the City of Bogalusa, Louisiana)
 Summary Schedule of Prior-Year Findings
 For the Year Ended December 31, 2003

Ref No.	Fiscal Year Finding Initially Occurred	Description of Findings	Corrective Action Taken (Yes, No, Partially)
2002-1	2002	Choctaw Road Landfill does not have a checking account even though it is a stand-alone entity. It uses the Master Fund checking account of the Washington Parish Government.	Not resolved in 2003, but apparently resolved in 2004.

