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Release Date 8-9-00

## **CITY OF HARRAHAN, LOUISIANA**

### **General Purpose Financial Statements and Schedules**

**December 31, 1999**  
**(with comparative totals for December 31, 1998)**

**With Independent Auditors' Report Thereon**

CITY OF HARRAHAN, LOUISIANA

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December 31, 1999

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**Independent Auditors' Report**

The Honorable Mayor and Aldermen  
City of Harahan, Louisiana:

We have audited the general purpose financial statements of the City of Harahan, Louisiana, as of and for the year ended December 31, 1999, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The comparative amounts contained in the general purpose financial statements were audited by other auditors, whose report dated June 25, 1999, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harahan, Louisiana, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not required part of the financial statements of the City. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose and account group financial statements and, in our opinion, is fairly stated in all material respects in relations to the financial statements of each of the respective individual funds and accounts, taken as a whole.

*Postlethwaite & Netterville*

June 16, 2000



CITY OF HARAHAN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 1999

(with comparative totals for December 31, 1998)

	Governmental Fund Types				Proprietary Fund Type		Account Groups		Totals	
	General	Special Revenue Fund	Debt Service	Capital Projects	Enterprise	General Fixed Assets	Long-term Debt	1999	(Memorandum Only) 1998	
<b>Assets</b>										
Cash and cash equivalents (note 3)	\$ 112,327	21	1,459,968	717,351	108,555	-	-	2,398,222	612,246	
Investments	-	-	-	1,800,000	-	-	-	1,800,000	-	
Receivables:										
Sewerage fees					14,022			14,022	18,908	
Other	287,536	95,169	-	3,749	-	-	-	386,454	312,209	
Due from other funds (note 8)	94,680	-	7,845	17,629	20,792	-	-	140,946	155,564	
Prepaid insurance	23,082	-	-	-	-	-	-	23,082	22,047	
Property, plant and equipment - net where applicable of accumulated depreciation (note 5)	-	-	-	-	2,864,513	-	-	6,466,270	6,504,410	
Amount available in debt service fund	-	-	-	-	-	1,447,579	-	1,447,579	116,222	
Amount to be provided for general obligation debt	-	-	-	-	-	-	3,687,837	3,687,837	1,469,075	
	<u>\$ 517,625</u>	<u>95,190</u>	<u>1,467,813</u>	<u>2,538,729</u>	<u>3,007,882</u>	<u>3,601,757</u>	<u>5,135,416</u>	<u>16,364,412</u>	<u>9,210,681</u>	
<b>Liabilities and Fund Equity</b>										
<b>Liabilities:</b>										
<b>Payables:</b>										
Trade and other	250,809	500	20,234	275,673	88,594	-	-	635,810	264,900	
Payroll taxes and other	32,687	-	-	-	-	-	-	32,687	54,336	
Accrued salaries	80,506	-	-	-	-	-	-	80,506	81,864	
Accrued vacation pay and compensation time	191,215	-	-	-	-	-	-	191,215	177,455	
Deferred revenue	39,709	-	-	-	-	-	-	39,709	88,309	
Due to other funds (note 8)	38,421	94,680	-	7,845	-	-	-	140,946	155,564	
Capital leases payable (note 6)	-	-	-	-	-	211,585	-	211,585	279,298	
Loan payable (note 6)	-	-	-	-	-	40,000	-	40,000	40,000	
General obligation bonds (note 6)	-	-	-	-	-	-	4,883,831	4,883,831	1,265,999	
Total liabilities	<u>633,347</u>	<u>95,180</u>	<u>20,234</u>	<u>283,518</u>	<u>88,594</u>	<u>-</u>	<u>5,135,416</u>	<u>6,256,289</u>	<u>2,407,725</u>	
<b>Fund equity:</b>										
Investment in general fixed assets	-	-	-	-	-	3,601,757	-	3,601,757	3,573,002	
Contributed capital (notes 7 and 10)	-	-	-	-	2,574,797	-	-	2,574,797	2,636,363	
Retained earnings - unreserved	-	-	-	-	344,491	-	-	344,491	388,784	
Fund balance (deficit):										
Reserved for debt service	-	-	1,447,579	-	-	-	-	1,447,579	116,222	
Reserved for prepaid insurance and deposits	23,082	-	-	-	-	-	-	23,082	22,047	
Unreserved:										
Designated - capital projects	-	-	-	2,255,211	-	-	-	2,255,211	110,998	
Undesignated	(138,804)	10	-	-	-	-	-	(138,794)	(44,460)	
Total retained earnings and fund balance (deficit)	<u>(115,722)</u>	<u>10</u>	<u>1,447,579</u>	<u>2,255,211</u>	<u>344,491</u>	<u>-</u>	<u>-</u>	<u>3,931,569</u>	<u>593,591</u>	
Total fund equity	<u>(115,722)</u>	<u>10</u>	<u>1,447,579</u>	<u>2,255,211</u>	<u>2,919,288</u>	<u>3,601,757</u>	<u>-</u>	<u>10,108,123</u>	<u>6,802,956</u>	
	<u>\$ 517,625</u>	<u>95,190</u>	<u>1,467,813</u>	<u>2,538,729</u>	<u>3,007,882</u>	<u>3,601,757</u>	<u>5,135,416</u>	<u>16,364,412</u>	<u>9,210,681</u>	

See accompanying notes to general purpose financial statements.



CITY OF HARAHAN, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -  
All Governmental Fund Types

Year ended December 31, 1999  
(with comparative totals for December 31, 1998)

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					1999	1998
Revenues:						
Taxes	\$ 573,719	999,594	-	-	1,573,313	1,431,977
Licenses and permits	659,568	-	-	-	659,568	637,494
Intergovernmental	450,436	-	-	-	450,436	504,680
Charges for services	548,667	-	-	-	548,667	463,755
Fines and forfeits	342,773	-	-	-	342,773	420,496
Gaming revenue	123,574	-	-	-	123,574	133,654
Interest income	25,715	643	7,106	12,334	45,798	50,458
Miscellaneous	162,202	-	-	-	162,202	54,849
Total revenues	2,886,654	1,000,237	7,106	12,334	3,906,331	3,697,363
Expenditures:						
Current:						
General government/non-departmental	772,386	-	-	-	772,386	708,372
Public safety police	1,306,034	-	-	-	1,306,034	1,478,286
Public safety fire	654,882	-	-	-	654,882	673,900
Highways and streets	176,292	-	-	-	176,292	217,047
Sanitation	481,040	-	-	-	481,040	485,087
Recreation	237,059	-	-	-	237,059	258,920
Debt service (note 6):						
Redemption of bonds	-	-	131,179	-	131,179	126,715
Interest and fiscal charges	-	-	92,646	-	92,646	97,085
Capital outlay	-	-	-	434,901	434,901	188,504
Total expenditures	3,627,692	-	223,825	434,901	4,286,418	4,233,916
Excess (deficiency) of revenues over expenditures	(741,038)	1,000,237	(216,719)	(422,567)	(380,087)	(536,553)
Other financing sources (uses):						
Proceeds of capital leases	-	-	-	-	-	203,370
Proceeds of issuance of bonds, including accrued interest (note 6)	-	8,735	196,123	3,566,235	3,762,358	-
Operating transfers in	785,807	(1,008,978)	1,709,888	284,168	2,788,598	991,278
Operating transfers out	(138,062)	(1,008,978)	(357,935)	(1,283,623)	(2,788,598)	(991,278)
Total other financing sources (uses)	647,745	(1,000,243)	1,548,076	2,566,780	3,762,358	203,370
Excess (deficiency) of revenues and other sources over expenditures and other uses	(93,293)	(6)	1,331,357	2,144,213	3,382,271	(333,183)
Fund balances (deficit) at beginning of year	(22,429)	16	116,222	110,998	204,807	537,990
Fund balances (deficit) at end of year	(115,722)	10	1,447,579	2,255,211	3,587,078	204,807

See accompanying notes to general purpose financial statements.



CITY OF HARAHAN, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances (Deficit) - Budget and Actual -  
General Fund and Special Revenue Fund - GAAP Basis

Year ended December 31, 1999

	General Fund		Special Revenue-Sales Tax Fund		Variance - Favorable (Unfavorable)
	Revised Budget	Actual	Revised Budget	Actual	
Revenues:					
Taxes	572,866	573,719	969,150	999,594	30,444
Licenses and permits	657,500	659,568	-	-	-
Intergovernmental	450,134	450,436	-	-	-
Charges for services	544,000	548,667	-	-	-
Fines and forfeits	350,500	342,773	-	-	-
Interest, gaming revenue and miscellaneous income	263,250	311,491	650	643	(7)
Total revenues	2,838,250	2,886,654	969,800	1,000,237	30,437
Expenditures:					
General government-non-departmental	723,256	772,386	-	-	-
Public safety - police	1,180,552	1,306,034	-	-	-
Public safety - fire	646,480	654,882	-	-	-
Highways and streets	175,820	176,292	-	-	-
Sanitation	493,000	481,040	-	-	-
Recreation	238,142	237,059	-	-	-
Total expenditures	3,457,250	3,627,692	-	-	-
(Deficiency) excess of revenues over expenditures	(619,000)	(741,038)	969,800	1,000,237	30,437
Other financing sources:					
Operating transfers in	749,000	785,807	-	8,735	8,735
Operating transfers out	(130,000)	(138,062)	(969,800)	(1,008,978)	(39,178)
Total other financing sources	619,000	647,745	(969,800)	(1,000,243)	(30,443)
Deficiency of revenues and other sources over expenditures and other uses	-	(93,293)	-	(6)	(6)
Fund balances at beginning of year	(22,429)	(22,429)	16	16	32
Fund balances at end of year	(22,429)	(115,722)	16	10	26

See accompanying notes to general purpose financial statements.



**CITY OF HARRAHAN, LOUISIANA**

Statements of Revenues, Expenses and Changes in Retained Earnings -  
Proprietary Fund Type - Enterprise Fund

Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services	\$ 378,544	372,574
Property taxes	41,009	40,333
Total operating revenues	<u>419,553</u>	<u>412,907</u>
Operating expenses:		
Contractual services	319,962	315,124
Supplies, maintenance and repairs	143,391	108,038
Depreciation	66,895	66,991
Total operating expenses	<u>530,248</u>	<u>490,153</u>
Operating loss	<u>(110,695)</u>	<u>(77,246)</u>
Nonoperating revenue - interest income	<u>4,835</u>	<u>2,969</u>
Net loss	<u>(105,860)</u>	<u>(74,277)</u>
Add depreciation on contributed fixed assets (note 10)	<u>61,567</u>	<u>61,657</u>
Decrease in retained earnings	<u>(44,293)</u>	<u>(12,620)</u>
Retained earnings at beginning of year	<u>388,784</u>	<u>401,404</u>
Retained earnings at end of year	<u>\$ 344,491</u>	<u>388,784</u>

See accompanying notes to general purpose financial statements.



**CITY OF HARAHAN, LOUISIANA**

Statements of Cash Flows -  
Proprietary Fund Type - Enterprise Fund

Years ended December 31, 1999 and 1998

	<b>1999</b>	<b>1998</b>
Cash flows from operating activities:		
Cash received from customers	\$ 383,430	391,565
Taxes received	41,009	40,333
Cash paid to suppliers of goods or services	(420,357)	(402,789)
Net cash provided by operating activities	4,082	29,109
Cash flows from investing activities -		
interest received	4,835	2,969
Net increase in cash	8,917	32,078
Cash and cash equivalents at beginning of year	99,638	67,560
Cash and cash equivalents at end of year	\$ 108,555	99,638

The reconciliation of operating loss to net cash provided by operating activities for the years ended December 31, 1999 and 1998 is as follows:

	<b>1999</b>	<b>1998</b>
Operating loss	\$ (110,695)	(77,246)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	66,895	66,991
Decrease in accounts receivable	4,886	18,990
Increase in accounts payable and accrued expenses	41,776	42,406
Increase (decrease) in due to other funds	1,220	(22,032)
Net cash provided by operating activities	\$ 4,082	29,109

See accompanying notes to general purpose financial statements.



# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 1999

### (1) Summary of Significant Accounting Policies

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 10,094 people.

The City's financial statements include the accounts of all City operations. The City's operations include police and fire protection, waste collection, parks, recreation, public works and general administrative services. In addition, the City owns and operates a local sewer system.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

#### (a) *Reporting Entity*

The City's general purpose financial statements include operations of all activities over which the City exercises oversight responsibility. Oversight responsibility is demonstrated through financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters and, as such, the City is a reporting entity.

For financial reporting purposes, the City includes all funds and account groups that are controlled by or dependent on the Mayor and the City's Council.

#### (b) *Basis of Presentation - Fund Accounting*

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The operations of the City are recorded in the following fund types and account groups:

#### Governmental Fund Types

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon the determination of changes in financial position. The following are the City's governmental fund types.

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.



CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1999

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Currently, sales tax proceeds flow through the special revenue fund, first to meet debt service requirements and then to the general fund.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance. The City's sole proprietary fund is Sewerage District No. 1 (the District), an enterprise fund.

Enterprise Fund - This fund is used to account for operations of the District where: (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate.

Account Groups

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the City, other than those accounted for in the City's proprietary fund, the District.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the City except those accounted for in the City's proprietary fund, the District.

(c) *Basis of Accounting*

Basis of accounting refers to the timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the accompanying general purpose financial statements.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the general purpose balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Specifically, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized as a liability when incurred. Principal and interest on general long-term debt is recognized when due.



# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 1999

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the accompanying general purpose balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's proprietary fund, the District, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Based on historical collection experience, no allowance for estimated uncollectible receivables is recorded.

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

*(d) Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded, is employed by the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As materials are subsequently received and construction contracts are executed, liabilities are recorded and the related encumbrances are liquidated.

*(e) Cash and Investments*

Cash includes amounts on hand and on deposit at financial institutions. The City considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments are stated at cost and consist of certificates of deposits and U.S. Treasury Bills with original maturities greater than three months.

*(f) General Fixed Assets*

General fixed assets are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. Certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized. Such assets are normally immovable and of value only to the City. Contributed fixed assets are recorded at their estimated fair values at the time received.

Depreciation is not provided on general fixed assets.



# CITY OF HARRAHAN, LOUISIANA

## Notes to General Purpose Financial Statements

December 31, 1999

**(g) *Property, Plant and Equipment - Proprietary Fund***

Property, plant and equipment used by the proprietary fund is stated at cost. Contributed assets are recorded at fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives. Depreciation on assets acquired through contributions is charged to contributed capital.

**(h) *Accrued Vacation***

The City's policy permits employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued in the period they are earned. Accumulation of vacation time is dependent upon the number of pay periods an employee works, and their length of employment. For all employees below 5 years of employment, the City allows a 1/2 day of vacation time per pay period (2 weeks). For employees between 5 and 10 years of employment, the City allows 5/8 day of vacation time per pay period. For employees with over 10 years of employment, 3/4 day of vacation time per pay period is earned. Earned vacation time may be carried forward by employees with over 10 years of employment, not to exceed 90 days of earned vacation time. Accrued vacation pay is recorded in the general fund.

**(i) *Fund Equity***

Reserved fund balance and retained earnings indicate that a portion of fund equity legally is segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

**(j) *Total Columns***

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(k) *Comparative Data***

Comparative total data for the prior year have been presented in the general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**(2) *Budgetary Procedures and Budgetary Accounting***

The City's procedures in establishing the budgetary data included in the general purpose financial statements are as follows:

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.



CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1999

- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The Mayor is authorized to transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any fund or department must be approved by the City's Council.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (6) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All unencumbered and unexpended appropriations lapse at year end.
- (7) As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenue by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by five percent or more, a budget amendment to reflect such changes is adopted in an open meeting.

**(3) Cash and Investments**

At December 31, 1999, the City has the following cash and cash equivalents:

Demand deposits	\$ 743,100
Certificate of Deposit	500,000
U.S. Treasury related investments	<u>1,155,122</u>
Total cash and cash equivalents	\$ <u>2,398,222</u>

In addition, the City has \$1,800,000 of certificates of deposits which is included investments.



CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1999

At December 31, 1999, cash and time certificates of deposit are entirely insured or collateralized with securities held by a mutually acceptable third-party financial institution in the City's name, which is the lowest credit risk as defined by the Governmental Accounting Standards Board. The bank balances and collateralization for deposit at December 31, 1999 are as follows:

Total bank balances	\$ <u>3,109,962</u>
Federal deposit insurance	116,530
Pledged securities	<u>4,286,960</u>
Total collateral	\$ <u>4,403,490</u>
Excess collateral	\$ <u>1,283,528</u>

Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State. The City maintains sweep accounts for which bank balances are invested daily in Federal National Mortgage Association (FNMA) Overnight Repurchase Agreements. The City's investment in FNMA Overnight Repurchase Agreements and in U.S. Treasury securities is classified as a Category 1 investment - issued or registered or securities held by the entity or its agent in the entity's name.

**(4) Property Tax**

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of January 1; the taxes are payable on January 1, and are delinquent on February 1.

The assessed value of the property is determined by the Jefferson Parish assessor's office. The assessed value at January 1, 1999, upon which the 1999 levies were based, was \$41,508,109. The combined 1999 tax rate was \$14.72 per \$1,000 of assessed valuation. Of this amount, \$13.71 was available for general operations and \$1.01 was available for sewerage operations and maintenance.



**CITY OF HARAHAN, LOUISIANA**

Notes to General Purpose Financial Statements

December 31, 1999

**(5) Property, Plant and Equipment**

A summary of changes in general fixed assets is as follows:

	<u>January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Land, land improvements and buildings	\$ 1,483,615	-	-	1,483,615
Transportation equipment	909,985	6,710	-	916,695
Other equipment	952,656	22,045	-	974,701
Furniture and fixtures	21,660	-	-	21,660
Computer equipment	205,186	-	-	205,186
	<u>\$ 3,573,002</u>	<u>28,755</u>	<u>-</u>	<u>3,601,757</u>

A summary of proprietary fund type property, plant and equipment at December 31, 1999 is as follows:

		<u>Estimated useful life in years</u>
Land	\$ 7,121	-
Rights of way	6,606	-
Sewerage collection system	3,526,179	75
Sewerage treatment plant	853,687	50
Vehicles	41,344	5
Furniture	38,898	10
	<u>4,473,835</u>	
Less accumulated depreciation	<u>(1,609,322)</u>	
	<u>\$ 2,864,513</u>	

**(6) General Obligation Bonds and Capital Leases**

**General Obligation Bonds**

The following is a summary of long-term debt changes for the year ended December 31, 1999:

	<u>January 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 1999</u>
General Long-Term Debt:				
1989 Sales Tax Refunding Bonds	\$ 1,265,999	-	132,168	1,133,831
1999 Sales Tax Refunding Bonds	-	3,750,000	-	3,750,000
	<u>\$ 1,265,999</u>	<u>3,750,000</u>	<u>132,168</u>	<u>4,883,831</u>



**CITY OF HARRAHAN, LOUISIANA**

Notes to General Purpose Financial Statements

December 31, 1999

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 1999 is \$4,150,811.

Sales tax refunding and improvement bonds, payable at December 31, 1999, are comprised of the following:

\$1,845,000 1989 Sales Tax Refunding and Improvement Bonds due in monthly installments of \$18,400 including interest through June 1, 2006, at various interest rates; these bonds were refunded by the 1999 Sales Tax on January 1, 2000	\$ 1,133,831
\$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$45,000 to \$275,000 including interest through June 1, 2024, at various interest rates	<u>3,750,000</u>
	<u>\$ 4,883,831</u>

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments of \$3,386,808, are as follows:

Year ending December 31	
2000	\$ 1,389,778
2001	288,308
2002	289,634
2003	290,608
2004	291,259
2005-2009	1,437,294
2010-2014	1,441,413
2015-2019	1,421,385
2020-2024	<u>1,420,963</u>
	<u>\$ 8,270,639</u>

The indentures under which these bonds were issued provide for the establishment of debt service funds as follows:

Commencing January 2000, a sum equal to the pro-rata amount of the interest falling due on the 1999 bonds on the next interest payment date and the pro-rata amount of the principle of the 1999 bonds falling due on the next principal payment date, together with any such additional proportionate sum as may be required to pay said principle and interest, shall be transferred from the Sales Tax Fund, monthly to the Sales Tax Bond Sinking Fund.

The City is in compliance with its debt covenants at December 31, 1999.



**CITY OF HARAHAAN, LOUISIANA**

Notes to General Purpose Financial Statements

December 31, 1999

During December 1999, the City refunded the issued \$3,750,000 of 1999 Sales Tax Refunding and Public Improvement Bonds to refund the remaining balance of the 1989 Sales Tax Refunding and Improvement Bonds, with the remaining portion of the proceeds being restricted for construction extensions and improvements. The timing of the refinancing was such that the 1989 were not refunded until January 1, 2000. The advance refunding of the 1989 Sales Tax Refunding and Improvement Bonds will result in a present value net debt service savings of \$79,789. The City also received \$12,358 of accrued interest related to the 1999 Sales Tax Refunding Public Improvement Bonds.

**Capital Leases**

During 1996, the City received a loan from the Harahan Volunteer Fire Company #1 for \$40,000, the proceeds of which were used toward the purchase of a fire truck. The loan has no stated interest rate and will be repaid to the Volunteer Fire Company #1 upon final payment of the lease purchase of the fire truck.

During 1997, the City entered into a capital lease for the purchase of the fire truck. The remaining payment will be made January 1, 2001 in the amount of \$41,234, which includes a principal payment of \$39,014 and interest at 5.7% of \$2,220.

During 1998, the City entered into a capital lease for the purchase of police cars with principal payments beginning in 2000. Interest payments of \$5,769 were paid during 1999. Lease terms, at an interest rate of 5.8%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1,			
2000	\$ 38,075	8,879	46,954
2001	40,343	6,611	46,954
2002	42,746	4,208	46,954
2003	45,293	1,661	46,954
2004	3,894	19	3,913
	<u>\$ 170,351</u>	<u>21,378</u>	<u>191,729</u>

**(7) Equity**

Designated Fund Balance - Capital Projects - This amount has been designated for future capital improvements.

Contributed Capital - City of Harahan - This amount includes contributions by the City, property owners and federal grantors to the District less previously accumulated depreciation on the related improvements. There were no contributions made to the District during 1999.



**CITY OF HARRAHAN, LOUISIANA**

Notes to General Purpose Financial Statements

December 31, 1999

**(8) Interfund Balances**

Individual fund interfund receivable and payable balances as of December 31, 1999 were as follows:

	<b>Due from other funds</b>	<b>Due to other funds</b>
General Fund	\$ 94,680	38,421
Special Revenue Fund	-	94,680
Debt Service Fund	7,845	-
Capital Projects Fund	17,629	7,845
Enterprise Fund - Sewerage District	20,792	-
	\$ 140,946	140,946

**(9) Pension Plans**

The City participates in two cost-sharing multiple-employer benefit plans. One of the plans is the State of Louisiana Municipal Police Employees' Retirement System (the Policemen's Plan), a state-wide defined benefit retirement plan; the Policemen's Plan covers police employees. Employees contribute 7.5% of their salary (which includes State Supplemental pay but excludes overtime pay); the City contributes 9%. The City's contribution to the Policemen's Plan in 1999 was \$61,129. Covered payroll for the Policemen's Plan amounted to \$686,259 for 30 employees of the Police Department. Total payroll expense for the police department was \$977,787. Additional plan information is included in the annual report of the Policemen's Plan.

As of September 1, 1998, the City began participating in the Louisiana Firefighters' Retirement System (the Firemen's Plan), a state-wide defined benefit plan; the Firemen's Plan covers fire employees. Employees contribute 8% of their salary (which includes State Supplemental pay but excludes overtime pay); the city contributes 9%. The City's contribution to the Firemen's Plan in 1999 was \$12,994. Covered payroll for the Firemen's Plan amounted to \$144,393 for 5 employees of the Fire Department. Total payroll expense for the Fire Department was \$494,865. Additional plan information is included in the annual report of the Firemen's Plan.

Other City employees are not included in any pension plans.

The "pension benefit obligation" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The latest actuarial valuation of the Plans are as of June 30, 1999. In the valuation, the pension benefit obligation was not disclosed. The valuation was made on the "Entry Age Normal" cost method. Under this method, the actuarial present value of projected benefits of each individual included in the valuation is allocated a level basis as percentage of payroll for each participant between entry age and assumed retirement age.



CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1999

The portion of this actuarial present value allocated to the valuation year is called normal cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal cost is called the actuarial accrued liability. As of June 30, 1999, the Policemen's Plan was over-funded by \$110,425,877. As of June 30, 1999, the Firefighters' Plan was under-funded by \$75,158,798. The City's contributions represent less than 1% of total contributions required of all participating entities of the Plans.

Membership is mandatory for any full-time police officer or employees by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Any member is eligible for normal retirement after he has been a member of the System for one year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. A member is eligible to receive disability benefits if he was an active contributing member of the Policemen's Retirement System, or if he is no longer a member but has 20 years creditable service established in the System, and suffers a disability which has been certified by examination by a member of the State-wide Medical Disability Board. A service related disability requires no certain number of years of creditable service; however, a non-service connected disability requires five years of creditable service. The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than forty percent nor more than sixty percent of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability. Upon the death of an active contributing member, or a disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation.

Membership is voluntary for any full-time firefighter or employees by a municipality of the State of Louisiana engaged in fire protection, and earning at least three hundred seventy-five dollars per month excluding state supplemental pay. Any member is eligible for normal retirement after he has been a member of the System for one year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of average final compensation. A member is eligible to receive disability benefits if he was an active contributing member of the Firefighter's Retirement System and suffers a disability which has been certified by examination by a member of the State Medical Disability Board. A service related disability requires no certain number of years of creditable service; however, a non-service related disability requires five years of creditable service. The disability benefits are calculated at 60% of average final compensation for members with a job-related injury or 75% of the member's retirement salary to which he would be entitled if he were eligible for regular retirement or 25% of his average final compensation, whichever is greater. Upon death of an active contributing member, or a disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation.



CITY OF HARAHAH, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1999

(10) Contributed Capital

An analysis of contributed capital follows:

	Contributed capital January 1, 1999	Additions	Depreciation	Contributed Capital December 31, 1999
Property owners	\$ 435,663	-	10,174	425,489
City of Harahan	1,815,931	-	42,407	1,773,524
Federal grants	384,769	-	8,985	375,784
	<u>\$ 2,636,363</u>	<u>-</u>	<u>61,566</u>	<u>2,574,797</u>

(11) Commitments

During 1999, a substantial judgment against the City and one of its employees was reversed. The City is assessing the possibility of recovery of legal and other costs expended in defending and appealing the lawsuit. No amounts have been recorded in the financial statements for any such possible recovery.



Schedule 1

CITY OF HARAHAN, LOUISIANA

Combining Balance Sheets

Debt Service Funds

December 31, 1999

	<u>1989</u> <u>Sinking</u>	<u>1989</u> <u>Reserve</u>	<u>1999</u> <u>Sinking</u>	<u>1999</u> <u>Reserve</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,142,221	12,901	10,688	294,158	1,459,968
Due from other funds	-	-	7,845	-	7,845
	<u>\$ 1,142,221</u>	<u>12,901</u>	<u>18,533</u>	<u>294,158</u>	<u>1,467,813</u>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Payables:					
Trade and other	-	14,034	6,200	-	20,234
Total liabilities	-	14,034	6,200	-	20,234
Fund equity - fund balance (deficit) - Reserved for debt service	1,142,221	(1,133)	12,333	294,158	1,447,579
Total fund balance (deficit)	1,142,221	(1,133)	12,333	294,158	1,447,579
Total fund equity	1,142,221	(1,133)	12,333	294,158	1,447,579
	<u>\$ 1,142,221</u>	<u>12,901</u>	<u>18,533</u>	<u>294,158</u>	<u>1,467,813</u>

See accompanying independent auditors' report.



## CITY OF HARAHAN, LOUISIANA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

## Debt Service Funds

Year ended December 31, 1999

	1989 <u>Sinking</u>	1989 <u>Reserve</u>	1999 <u>Sinking</u>	1999 <u>Reserve</u>	<u>Total</u>
Revenues -					
Interest income	\$ 1,304	5,409	-	393	7,106
Total revenues	<u>1,304</u>	<u>5,409</u>	<u>-</u>	<u>393</u>	<u>7,106</u>
Expenditures:					
Debt service:					
Redemption of bonds	131,179	-	-	-	131,179
Interest and fiscal charges	92,621	-	25	-	92,646
Total expenditures	<u>223,800</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>223,825</u>
Excess (deficiency) of revenues over expenditures	<u>(222,496)</u>	<u>5,409</u>	<u>(25)</u>	<u>393</u>	<u>(216,719)</u>
Other financing sources (uses):					
Proceeds of issuance of bonds, including interest	-	-	12,358	183,765	196,123
Operating transfers in	1,380,695	219,193	-	110,000	1,709,888
Operating transfers out	-	(357,935)	-	-	(357,935)
Total other financing sources (uses)	<u>1,380,695</u>	<u>(138,742)</u>	<u>12,358</u>	<u>293,765</u>	<u>1,548,076</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,158,199	(133,333)	12,333	294,158	1,331,357
Fund balances (deficit) at beginning of year	<u>(15,978)</u>	<u>132,200</u>	<u>-</u>	<u>-</u>	<u>116,222</u>
Fund balances (deficit) at end of year	<u>\$ 1,142,221</u>	<u>(1,133)</u>	<u>12,333</u>	<u>294,158</u>	<u>1,447,579</u>



Schedule 3

CITY OF HARAHAN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups

Capital Projects Funds

December 31, 1999

	<u>1989</u> <u>Capital</u> <u>Projects</u>	<u>1999</u> <u>Capital</u> <u>Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 171,279	546,072	717,351
Investments	-	1,800,000	1,800,000
Receivables - other	-	3,749	3,749
Due from other funds	17,629	-	17,629
	<u>\$ 188,908</u>	<u>2,349,821</u>	<u>2,538,729</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Payables:			
Trade and other	69,929	205,744	275,673
Deferred revenue	-	7,845	7,845
Total liabilities	<u>69,929</u>	<u>213,589</u>	<u>283,518</u>
Fund equity - fund balance (deficit) -			
Designated for capital projects	<u>118,979</u>	<u>2,136,232</u>	<u>2,255,211</u>
Total fund balance	<u>118,979</u>	<u>2,136,232</u>	<u>2,255,211</u>
Total fund equity	<u>118,979</u>	<u>2,136,232</u>	<u>2,255,211</u>
	<u>\$ 188,908</u>	<u>2,349,821</u>	<u>2,538,729</u>

See accompanying independent auditors' report.



Schedule 4

CITY OF HARAHAN, LOUISIANA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Funds

Year ended December 31, 1999

	<u>1989</u> <u>Capital</u> <u>Projects</u>	<u>1999</u> <u>Capital</u> <u>Projects</u>	<u>Total</u>
Revenues -			
Interest income	\$ 8,585	3,749	12,334
Total revenues	<u>8,585</u>	<u>3,749</u>	<u>12,334</u>
Expenditures -			
Capital outlay	284,772	150,129	434,901
Total expenditures	<u>284,772</u>	<u>150,129</u>	<u>434,901</u>
Deficiency of revenues over expenditures	<u>(276,187)</u>	<u>(146,380)</u>	<u>(422,567)</u>
Other financing sources (uses):			
Proceeds of issuance of bonds, including interest		3,566,235	3,566,235
Operating transfers in	284,168		284,168
Operating transfers out		<u>(1,283,623)</u>	<u>(1,283,623)</u>
Total other financing sources (uses)	<u>284,168</u>	<u>2,282,612</u>	<u>2,566,780</u>
Excess of revenues and other sources over expenditures and other uses	7,981	2,136,232	2,144,213
Fund balances at beginning of year	<u>110,998</u>	<u>-</u>	<u>110,998</u>
Fund balances at end of year	<u>\$ 118,979</u>	<u>2,136,232</u>	<u>2,255,211</u>

See accompanying independent auditors' report.



CITY OF HARAHAN, LOUISIANA

Schedule of Compensation Paid to Councilmen

Year ended December 31, 1999

Peter Dale	\$ 6,120
Paul Johnston	6,456
Kerry Lauricella	6,120
Bryan St. Cyr	6,120
Time Walker	<u>6,120</u>
	\$ <u>30,936</u>

See accompanying independent auditors' report.





**Postlethwaite & Netterville**  
*A Professional Accounting Corporation*

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

The City Council  
City of Harahan, Louisiana:

We have audited the financial statements of City of Harahan, Louisiana (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000, which was qualified because insufficient audit evidence exists to support the City's disclosures with respect to the Year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards 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 the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards* except as follows:

The City incurred a deficit in the General Fund of \$93,293 (LSA-RS 39:1301-1316).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we reported to management of the City in a separate letter dated June 16, 2000.



This report is intended solely for the information and use of the Council, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & McDeville*  
June 16, 2000





**Postlethwaite & Netterville**

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June 16, 2000

The City Council  
City of Harahan, Louisiana:

Ladies and Gentlemen:

We have audited the financial statements of the City of Harahan (the City) as of and for the year ended December 31, 1999 and have issued our report thereon dated June 16, 2000. In planning and performing our audit of the financial statements of the City, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on financial statements and not to provide assurance on internal control. We have not considered the internal control since the date of our report.

During our audit we noted certain matters involving internal control that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

**Item 1: Fixed Assets**

The City has equipment, vehicles and building components that comprise the majority of its fixed assets. The City does not have a formal system for tracking, tagging and annually observing the existence of such items.

The City should develop a fixed asset policy that addresses the data to be monitored and recorded, the frequency of fixed asset observations and other similar requirements. In addition, the City should conduct a physical inventory of all fixed assets items to develop an initial list of detailed item. This information will be needed for the reporting change described in the following comment.



## Item 2: Reporting Model Changes

After years of study and consideration of the needs of users of government financial statements, the Governmental Accounting Standards Board (GASB) issued its revolutionary new reporting model in June 1999. The new model dramatically changes the presentation of governments' external financial statements. In the GASB's view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the Board's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes follow:

**Management's Discussion and Analysis (MD&A)** – A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by presenting an analysis of the government's financial performance for the year and its financial position at year-end. The MD&A will be in addition to the transmittal letter currently required for Government Finance Officers Association (GFOA) award candidates, such as your Board, but we expect that the GFOA will make changes in their requirements so as to avoid any duplication between the two documents.

**Statement of Activities** – Governments will now be required to use a "net program cost" format for the entity-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program revenues or general revenues of the government (such as tax revenues). Governments will have the option of reporting both direct and indirect program costs.

**Capital Contributions** – Capital contributions to enterprise funds would be reported as nonoperating revenues (rather than direct additions to equity); governments would no longer report contributed capital equity accounts. This change would recognize all contributed resources-including grants, tap fees, and developer contributions-consistently in enterprise fund operating statements. It also would eliminate the confusion caused by reporting negative retained earnings (offset) by large contributed capital balances.

The effective date of the new pronouncement will require implementation by the Board for its year ending December 31, 2004. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the Board begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. We recommend that the Board consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget and also consider identifying training programs for key staff members to attend.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.



This report is intended solely for the information and use of the Council, management, and others within the organization.

Very truly yours,

*Pastlethwaite + Netterville*





# City of Harahan

6437 Jefferson Highway  
Harahan, Louisiana 70123  
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## CITY COUNCIL

PETER L. DALE

PAUL D. JOHNSTON

KERRY PAUL LAURICELLA

BRYAN J. ST. CYR

TIM WALKER

PROVINO MOSCA  
Mayor

SANDRA B. MADER  
Administrative Assistant

June 20, 2000

MARGARET BROUSSARD  
City Clerk

Mr. Daniel G. Kyle  
Legislative Audit Advisory Council  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Auditor's Report for the Year ended 12/31/99 (Report on Compliance p. 25) and Management Letter Response

Dear Mr. Kyle:

The following is the City's corrective action plan in response to non compliance item stated in the Auditor's report for the Year ended 12/31/99 (p. 25).

1. The City incurred a deficit in the General Fund of \$93,293 (LSA-RS39:1301-1316).

The City incurred the deficit due to some extraordinary legal expenses involving a one million dollar judgment against the City. The City appealed the decision which forced us to pay additional costs of \$152,680 over the budgeted amount. The City won the appeal in the year 2000 and is expected to recoup our legal costs paid in 1998 and 1999 in the amount of \$248,000. Attached is a copy of a letter from our attorney's stating the amount the City should receive from the insurance company by the end of 2000. Once the money is received the deficit will be eliminated.

The City will reduce the 1999 deficit by providing for it as a special line item in the 2000 budget.

The following is a response to the Management letter comments.

1. Fixed Assets

The City is working on taking a full inventory of its assets within the next year. All inventory will be tagged and numbered. Once we finalize our inventory, it will be tracked on a yearly basis.

2. Reporting Model changes

The City is aware of the reporting model changes that need to take place by 12/31/2004. Through training classes, working with our outside auditors, and taking the above inventory these reporting changes are attainable.

Through the above corrective action measures the City intends to be in compliance with the above items in 2000 and by 2004.

Sincerely,

THE CITY OF HARRAHAN

*Provino Mosca*

Provino Mosca  
Mayor

**CAMPBELL, McCRANIE, SISTRUNK, ANZELMO & HARDY**

A PROFESSIONAL LAW CORPORATION

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NEW ORLEANS AFFILIATE  
THE LAW OFFICE OF SALVADOR ANZELMO  
365 CANAL STREET, SUITE 2800  
NEW ORLEANS, LOUISIANA 70130  
June 12, 2000

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Honorable Provino Mosca  
Mayor - City of Harahan  
Harahan City Hall  
6437 Jefferson Highway  
Harahan, Louisiana 70123

**CONFIDENTIAL AND PRIVILEGED  
ATTORNEY-CLIENT MATERIAL**

Re: City of Harahan  
v. Century Indemnity Company, et al  
24<sup>th</sup> JDC, No. 541-039  
Our File: 9003-84-8

Dear Mayor:

As we had discussed, our firm has determined the amount of defense versus coverage costs expended in the above referenced matter by the various law firms. We note that where there was a question relative to any costs or fees we have attributed them to a defense expense as opposed to a coverage expense. The grand totals are:

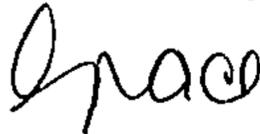
Defense Costs -	\$248,019.07
Coverage -	\$ 30,434.24

I have attached a breakdown of these for your information.

I would suggest that we make an opening offer to Century of asking for 100% of the amount attributable to defense and consider possibly reducing that amount over time to \$200,000.00. I would not recommend, at this time, settling for less than \$200,000.00.

Please feel free to call me if you have any questions regarding the above.

With kind regards,



M. Grace Ratnesar

MGR:am  
Enclosure

# MEMO

**TO:** MGR  
**FROM:** RAH  
**RE:** Collins  
**DATE:** June 6, 2000

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Below is an analysis of the various producers in the Collins matter and a division of their time between "coverage" issues and "defense" issues:

## Campbell, McCranie, Sistrunk, Anzelmo and Hardy

### I. COVERAGE COSTS

TPA	\$2,250.00
MGR	\$13,875.00
BB	\$506.00
RAH	\$675.00
HGC	\$2,385.00
CMW	\$54.00
DF	\$49.50
KPK	\$2475.00

ATTORNEY FEES (COVERAGE): \$22,269.50

EXPENSES (COVERAGE): \$111.43

**TOTAL CMSA&H COVERAGE COSTS: \$22,380.93**

II. DEFENSE COSTS

TPA	\$14,633.50
MGR	\$18,825.00
BB	\$781.00
RAH	\$36,054.00
HGC	\$21,267.00
MBP	\$486.00
MDP	\$2,304.00
BH	\$99.00
CMW	\$342.00
BS	\$27.50
JCM	\$27.50
DF	\$99.00
JCR	\$45.00
WLC	\$418.00
IRD	\$100.00
SC	\$720.50
KPK	\$45.00

ATTORNEY FEES (DEFENSE): \$96,274.00

EXPENSES (DEFENSE): \$12,528.64

**TOTAL CMSA&H DEFENSE COSTS: \$108,802.64**

GRAND TOTAL CMSA&H COSTS: \$131,183.57<sup>1</sup>

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<sup>1</sup> This does not include \$1399.50 in fees which were billed to Harahan in error. Additionally, the above numbers contain a \$40.00 underage which cannot be accounted for.

**Gerald Nielsen Firm**

I. COVERAGE COSTS

GJN	\$1,580.00
-----	------------

ATTORNEY FEES (COVERAGE) \$1,580.00

**TOTAL GJN COVERAGE COSTS: \$1,580.00**

II. DEFENSE COSTS

GJN	\$54,972.25
REW	\$527.50
SAW	\$735.00
MVH	\$410.00
TCP	\$1,925.00

ATTORNEY FEES (DEFENSE): \$58,569.75

EXPENSES (DEFENSE): \$1,543.11

**TOTAL GJN DEFENSE COSTS: \$60,112.86**

NOTE: Nielsen's bill dated July 8, 1999, contains \$90 in attorney fees for work performed on the amicus brief, and an additional \$234.45 in expenses associated with the amicus brief. Those charges have been excluded from this analysis. A copy of the July 8, 1999 bill is attached.

**Maureen Blackburn Jennings**

I. COVERAGE COSTS

MBJ	\$6,320.00
-----	------------

ATTORNEY FEES (COVERAGE): \$6,320.00

EXPENSES (COVERAGE): \$153.31

**TOTAL MBJ COVERAGE COSTS: \$6,473.31**

II. DEFENSE COSTS

MBJ	\$39,700.00
REM	\$762.50

ATTORNEY FEES (DEFENSE): \$40,462.50

EXPENSES (DEFENSE): \$3,662.90

**TOTAL MBJ DEFENSE COSTS: \$44,125.40**

Crull, Castaing & Lilly

DEFENSE COSTS: \$500.77

**TOTAL CCL DEFENSE COSTS: \$500.77**

NOTE: The records provided by Harahan contained check no. 019352, dated October 14, 1997. This check, in the amount of \$500.77, is payable to CCL. However, I could not locate an invoice to correspond to this check.

T. Allen Usry

I. DEFENSE COSTS

TAU	\$10,000.00
-----	-------------

**TOTAL TAU DEFENSE COSTS: \$10,000.00**

NOTE: In the documents provided by Harahan, I found two checks made payable to T. Allen Usry. One was check no. 019361, dated 10/20/97, and the other is check no. 019124, dated 09/02/97. Both checks are in the amount of \$5,000.00. However, I could not find any invoices to match to these checks. Copies of the checks are attached.

**Spyridon Koch<sup>2</sup>**

CEW	\$737.50
-----	----------

ATTORNEY FEES (DEFENSE): \$737.50

DEFENSE COSTS: \$10.20

**TOTAL SK DEFENSE FEES: \$747.70**

**Miscellaneous Defense Costs**

COST FOR REPORTER'S TRANSCRIPT: \$2,332.50

COSTS FOR SUPERSEDEAS BOND: \$20,000.00

COST FOR FILING NOTICES OF APPEAL: \$210.00

COSTS FOR DEPOSITION TRANSCRIPTS: \$1,187.20

**TOTAL MISCELLANEOUS DEFENSE COSTS: \$23,729.70**

**GRAND TOTALS:**

**COVERAGE COSTS: \$30,434.24**

**DEFENSE COSTS: \$248,019.07**

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<sup>2</sup> This charge was the fee for CEW to appear as an expert witness on the attorney fee issue.



**Postlethwaite & Netterville**  
*A Professional Accounting Corporation*

2324 Severn Avenue, Suite A • Metairie, Louisiana 70001-1977  
Telephone (504) 837-5990 • FAX (504) 834-3609  
www.pncpa.com

RECEIVED  
LEGISLATIVE AUDITOR

2000 JUN 29 AM 10:18

June 16, 2000

The Members of the Council of the City of Harahan  
City of Harahan, Louisiana:

We have audited the financial statements of the City of Harahan, Louisiana (City) as of and for the year ended December 31, 1999, and have issued a report thereon dated June 16, 2000. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

This report is intended solely for the information and use of the Council, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Postlethwaite & Netterville*



Baton Rouge • Donaldsonville • Gonzales • New Orleans • St. Francisville  
*Associated Offices in Principal Cities of the United States*

## CITY OF HARRAHAN, LOUISIANA

DECEMBER 31, 1999

### **Our Responsibility Under Generally Accepted Auditing Standards**

Our responsibility under generally accepted auditing standards is to express an opinion on the financial statements of City of Harahan, Louisiana (the City) as of and for the year ended December 31, 1999, based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control structure of the City to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, although not for the purpose of providing specific assurance on the internal control structure.

### **Significant Accounting Policies**

The significant accounting policies used by the City are described in the "Summary of Significant Accounting Policies" note to the financial statements.

We noted no transactions entered into by the City during the period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance of the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There are no significant areas which require management's judgments or estimation.

### **Significant Audit Adjustments**

We proposed no significant audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the City's financial reporting process.

### **Disagreements With Management**

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the City's 1999 financial statements.



**Consultation With Other Accountants**

To the best of our knowledge, management has not consulted with or obtained an opinion, written or oral, from other independent accountants during the past year which were subject to the requirements of Statement on Auditing Standards No. 50, *"Reporting on the Application of Accounting Principles."*

**Major Issues Discussed With Management Prior to Retention**

There have been no major issues discussed with management prior to our retention as your auditors.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.



**CITY OF HARAHAH  
CORRECTIVE ACTION PLAN  
TO DEFICIT COMPLIANCE FINDING**

The City adopted a balanced budget in 1999. However, the City experienced unanticipated legal fees in 1999 relating to an appeal of a large judgement against the City. The City does not expect these expenditures to re-occur in 2000 and has adopted a balanced budget for the year 2000.