
CITY OF HARAHAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF HARRAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF HARRAHAN, LOUISIANA

TABLE OF CONTENTS

DECEMBER 31, 2019

| | <u>Statement/ Schedule</u> | <u>Page</u> |
|---|--------------------------------|-------------|
| I. <u>FINANCIAL SECTION</u> | | |
| Independent Auditors' Report | | 1 |
| Government Financial Statements: | | |
| Required Supplementary Information- Management's Discussion and Analysis | | 4 - 13 |
| Basic Financial Statements: | | |
| Government –Wide Financial Statements | | |
| Statement of Net Position | A | 14 |
| Statement of Activities | B | 15 |
| Fund Financial Statements: | | |
| Governmental Funds | | |
| Balance Sheet | C | 16 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | D | 17 |
| Statement of Revenues, Expenditures, and Changes In Fund Balances | E | 18 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | F | 19 |
| Proprietary Fund: | | |
| Statement of Net Position | G | 20 |
| Statement of Revenues, Expenses, and Changes in Net Position | H | 21 |
| Statement of Cash Flows | I | 22 |
| Notes to Financial Statements | | 23 - 50 |
| II. <u>SUPPLEMENTAL INFORMATION SCHEDULES</u> | | |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedules | | |
| General Fund | 1 | 51 |
| Sales Tax Fund | 2 | 52 |
| Schedule of Proportionate Share of the Net Pension Liability | 3 | 53 |
| Schedule of Employer Contributions to Defined Benefit Pension Plans | 4 | 54 |
| Supplementary Information: | | |
| Schedule of Compensation Paid to City Council Members | 5 | 55 |
| Schedule of Compensation, Benefits, and Other Payments to Agency Head | 6 | 56 |

Independent Auditors' Report

The Honorable Mayor and City Council
City of Harahan, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Harahan, Louisiana (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2019, and the respective changes in financial position, and, where applicable, 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 13 to the financial statements, the City may be impacted by disruptions in the economy and business operations associated with the coronavirus (COVID-19) pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the COVID-19 outbreak may impact the City's financial position or statement of activities cannot be reasonably estimated at this time. 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, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of employer contributions to the defined benefit plans on pages 4 to 13 and 51 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of compensation paid to city council members and schedule of compensation, benefits, and other payments to the agency head on pages 55 and 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Paid to City Council Members and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are fairly stated in all material respects in relation to the basic 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 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2020

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

As financial management of the City government, we offer this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019. We encourage readers to consider the information presented here with the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of the City's government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,243,966 (*net position*).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,558,579, an increase of \$538,006 from the December 31, 2018 balance of \$1,020,573.
- At December 31, 2019, fund balance for the general fund is \$330,719, which includes nonspendable fund balance of \$84,038, restricted for police compensation fund balance of \$77,112 and an unassigned surplus fund balance of \$169,569. This represents a \$226,727 increase from the December 31, 2018 balance of \$103,992. The unassigned surplus fund balance in the general fund of \$169,569 represents an increase in unassigned fund balance of \$241,823.
- Current liabilities – unearned revenue in the general fund and capital projects fund increased from \$117,896 to \$878,436, an increase of \$760,540 at December 31, 2019 due to funds received from Jefferson Parish and the U.S. Department of Justice.
- Deferred inflows of resources – unavailable revenue in the general fund decreased from \$1,625,308 to \$1,514,149, a decrease of \$111,159 at December 31, 2019.
- Deferred inflows of resources – unavailable revenue in the proprietary fund (sewer fund) decreased from \$289,544 to \$270,699, a decrease of \$18,845 at December 31, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Government-Wide Financial Statements (continued)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government; public safety (police and fire); recreation; public works, sanitation, and interest on debt. The City has one business-type activities, the Sewer fund. The government-wide financial statements (Statement A and Statement B) can be found on pages 14-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Sales Tax Fund, Debt Reserve Fund, and the Capital Projects Fund, which are considered to be major funds. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements (Statement C and Statement E) can be found on pages 16 and 18 of this report.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Fund Financial Statements (continued)

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains one type of proprietary fund. The City uses the enterprise fund to account for its operations and maintenance of the sewer and water facilities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements (Statement G, Statement H, and Statement I) can be found on pages 20-22 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. At December 31, 2019, the City has no fiduciary funds.

Notes to basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 23-50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning general fund and sales tax budgetary comparisons, the net pension liability, and contributions to defined benefit pension plans. Required supplementary information can be found at Schedules 1 through 4 on pages 51-54.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,243,966 at December 31, 2019.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Government-Wide Financial Analysis (continued)

The following table reflects the condensed Statement of Net Position as of December 31, 2019:

**City of Harahan's Net Position
December 31**

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|----------------|--------------------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets: | | | | | | |
| Current and other assets | \$ 3,333,068 | \$ 2,386,228 | \$ 134,964 | \$ 121,498 | \$ 3,468,032 | \$ 2,507,726 |
| Restricted assets | 642,773 | 247,000 | 624,479 | 619,150 | 1,267,252 | 866,150 |
| Capital assets | 2,257,237 | 2,224,884 | 5,660,427 | 5,844,865 | 7,917,664 | 8,069,749 |
| Other | 256,520 | 615,216 | (256,520) | (615,216) | - | - |
| Total assets | 6,489,598 | 5,473,328 | 6,163,350 | 5,970,297 | 12,652,948 | 11,443,625 |
| Deferred outflows of resources: | | | | | | |
| Bond refunding | 5,178 | 6,838 | - | - | 5,178 | 6,838 |
| Deferred amounts - net pension liability | 1,077,262 | 1,188,137 | - | - | 1,077,262 | 1,188,137 |
| Total deferred outflows | 1,082,440 | 1,194,975 | - | - | 1,082,440 | 1,194,975 |
| Liabilities: | | | | | | |
| Current liabilities | 1,161,610 | 769,590 | 925,175 | 890,524 | 2,086,785 | 1,660,114 |
| Long-term liabilities | 4,871,494 | 4,930,485 | 2,280,679 | 2,394,329 | 7,152,173 | 7,324,814 |
| Total liabilities | 6,033,104 | 5,700,075 | 3,205,854 | 3,284,853 | 9,238,958 | 8,984,928 |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue | 1,514,149 | 1,666,988 | 270,699 | 289,544 | 1,784,848 | 1,956,532 |
| Deferred amounts - net pension liability | 467,616 | 405,574 | - | - | 467,616 | 405,574 |
| Total deferred inflows | 1,981,765 | 2,072,562 | 270,699 | 289,544 | 2,252,464 | 2,362,106 |
| Net Position: | | | | | | |
| Net investment in capital assets | 2,257,237 | 2,224,884 | 3,379,748 | 3,450,536 | 5,636,985 | 5,675,420 |
| Restricted for debt service | 248,957 | 247,000 | 455,228 | 451,713 | 704,185 | 698,713 |
| Restricted for repairs | - | - | 169,251 | 179,886 | 169,251 | 179,886 |
| Unrestricted | (2,949,025) | (3,576,218) | (1,317,430) | (1,686,235) | (4,266,455) | (5,262,453) |
| Net position (deficit) | \$ (442,831) | \$ (1,104,334) | \$ 2,686,797 | \$ 2,395,900 | \$ 2,243,966 | \$ 1,291,566 |

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Government-Wide Financial Analysis (continued)

By far, the largest portion of the City's net position of \$5,636,985 reflects its investment in capital assets (e.g. land, buildings, streets, machinery, vehicles, sewer system, and equipment); less any related debt used to acquire those assets that is still outstanding, and adding back any unspent bond proceeds. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$704,185 and \$169,251) represents resources that are subject to external restrictions on how they may be used for debt service and for repairs and maintenance to the sewer fund. The remaining unrestricted net position is a deficit of (\$4,266,455), which is a decrease in the deficit of \$995,998.

The following table provides a summary of the changes in net position for the year ended December 31, 2019:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|-------------------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Revenues: | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 1,603,320 | \$ 1,747,492 | \$ 932,772 | \$ 1,157,867 | \$ 2,536,092 | \$ 2,905,359 |
| Operating grants and contributions | 191,215 | 185,132 | 175,000 | - | 366,215 | 185,132 |
| Capital grants and contributions | 210,528 | 86,176 | - | - | 210,528 | 86,176 |
| General revenue: | | | | | | |
| Ad valorem (property) taxes | 1,684,102 | 1,186,539 | 351,353 | 76,761 | 2,035,455 | 1,263,300 |
| Sales and use taxes | 2,535,592 | 2,324,023 | - | - | 2,535,592 | 2,324,023 |
| Fines, forfeitures, and other | 279,288 | 74,409 | - | - | 279,288 | 74,409 |
| Gaming taxes | 281,403 | 306,391 | - | - | 281,403 | 306,391 |
| Interest income | 41,406 | 26,550 | 5,478 | 2,311 | 46,884 | 28,861 |
| Loss on disposal of assets | - | (4,396) | - | - | - | (4,396) |
| Transfer | - | 200,320 | - | (200,320) | - | - |
| Miscellaneous | 396,214 | 137,744 | (10,678) | 48 | 385,536 | 137,792 |
| Total revenues | <u>7,223,068</u> | <u>6,270,380</u> | <u>1,453,925</u> | <u>1,036,667</u> | <u>8,676,993</u> | <u>7,307,047</u> |
| Expenses: | | | | | | |
| General government - other | 1,574,510 | 1,544,854 | - | - | 1,574,510 | 1,544,854 |
| Public safety - police | 2,416,078 | 2,357,247 | - | - | 2,416,078 | 2,357,247 |
| Public safety - fire | 1,184,192 | 1,040,115 | - | - | 1,184,192 | 1,040,115 |
| Public works | 370,730 | 334,099 | - | - | 370,730 | 334,099 |
| Sewer | - | - | 1,163,028 | 1,352,673 | 1,163,028 | 1,352,673 |
| Sanitation | 647,385 | 668,979 | - | - | 647,385 | 668,979 |
| Recreation | 345,567 | 339,983 | - | - | 345,567 | 339,983 |
| Interest and fiscal charges | 23,103 | 27,175 | - | - | 23,103 | 27,175 |
| Total expenses | <u>6,561,565</u> | <u>6,312,452</u> | <u>1,163,028</u> | <u>1,352,673</u> | <u>7,724,593</u> | <u>7,665,125</u> |
| Increase (decrease) in net position | <u>661,503</u> | <u>(42,072)</u> | <u>290,897</u> | <u>(316,006)</u> | <u>952,400</u> | <u>(358,078)</u> |
| Net position, January 1 | <u>(1,104,334)</u> | <u>(1,062,262)</u> | <u>2,395,900</u> | <u>2,711,906</u> | <u>1,291,566</u> | <u>1,649,644</u> |
| Net position, December 31 | <u>\$ (442,831)</u> | <u>\$ (1,104,334)</u> | <u>\$ 2,686,797</u> | <u>\$ 2,395,900</u> | <u>\$ 2,243,966</u> | <u>\$ 1,291,566</u> |

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Government-Wide Financial Analysis (continued)

Governmental activities increased the City's net position by \$661,503 during the year ended December 31, 2019. Key elements of the increase are as follows:

- Ad valorem (property taxes) increased by \$497,563 due to the additional property tax revenues to fund salaries and related benefits within the police department.
- Sales and use tax increased by \$211,569 due to additional amounts collected.
- Fines, forfeitures, and other increased by \$204,879 due to the City processing tickets in 2019 which were processed by Jefferson Parish Court in 2018.
- Miscellaneous revenue increased by \$258,470 general government revenue sources (\$102,000) and U.S. Department of Justice Funds (\$66,000).
- Police related expenses increased by \$58,831 due to an increase in labor and related benefits (\$280,000) which was partially offset by decreases on other expenses.

Business-type activities increased the City's net position by \$290,897 during the year ended December 31, 2019. Key elements of the increase are as follows:

- Charges for services revenue decreased by \$225,095 due to a reduction in fees charged effective on August 1, 2017.
- Property tax revenues increased by \$274,592 due to the increase in millage passed in the 2018 year.
- Grants from Jefferson Parish increased by \$175,000.
- Sewer operations and maintenance expenses decreased by \$189,645 due to the higher than normal repairs and maintenance expenses in 2018 which did not occur in 2019.
- During the year ended December 31, 2018 there were internal transfers of \$200,320 between governmental activities and business type activities. During the year ended December 31, 2019 there were no internal transfers.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,558,579, an increase of \$538,006 in comparison with the prior year. This total consists of general fund, \$330,719; sales tax fund, \$0; debt service fund, \$248,957; and the capital projects fund, \$978,903. These fund balances are intended, and in some cases restricted, committed, or assigned, for specific purposes.

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Governmental funds (continued)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was a surplus of \$169,569. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund budget. Unassigned fund balance represents 2.80% of the general fund's final budgeted expenditures of \$6,064,464.

During the year ended December 31, 2019, the general fund balance increased by \$226,727 due primarily to the transfer from the sales tax fund which exceeded initial budget estimates.

The sales tax fund reported fund balance of \$0 at December 31, 2019. Sales tax receipts in the sales tax fund are transferred to the general fund for operations of the City. Sales tax revenue of \$2,535,592 increased \$211,569 in comparison to the prior year.

The fund balance of the debt service fund increased from \$247,000 to \$248,957 due to interest income.

The fund balance of the capital projects fund increased from \$669,581 to \$978,903 during the year ended December 31, 2019. The increase of \$309,322 during 2019 represents an increase of 46.2% of total fund balance from the prior year. The increase was primarily due to the transfers in from the general fund.

Proprietary funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's proprietary fund amounted to a deficit of \$1,317,430, which is a decrease in the deficit of \$368,805 as compared to the prior year unrestricted net deficit of \$1,686,235.

General Fund Budgetary Highlights

The City approved the General fund budget during the year ended December 31, 2019. For the current fiscal year, the total revenue was greater than budgeted revenues by \$195,916 and the total expenditures were greater than budgeted expenditures by \$221,491.

Material differences between actual results and budgeted amounts are as follows:

- Fines and forfeitures revenue of \$279,288 is greater than budgeted fines and forfeiture revenue of \$226,750.
- Charges for services of \$578,106 were greater than the budgeted amounts of \$537,388.
- Other revenue of \$369,961 was greater than the budgeted amount of \$278,626.
- Public safety – police costs of \$2,313,179 were greater than the budgeted amount of \$2,236,184.
- Public safety – fire costs of \$1,010,210 were greater than the budgeted amount of \$983,166.
- Capital outlay costs of \$116,510 were greater than the budgeted amount of \$0.
- Transfers into the general fund of \$2,337,241 were less than the budgeted amounts of \$2,361,570.
- Transfers out of the general fund of \$281,403 were less than the budgeted amounts of \$292,500.

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2019 amounts to \$7,917,664 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, transportation equipment, furniture and equipment, sewer system, and computer equipment.

**City of Harahan, Louisiana
Capital Assets (Net of Depreciation)
December 31, 2019**

| | Governmental Activities | Business- type Activities | Total |
|---------------------------------------|----------------------------|---------------------------------|---------------------|
| Land, land improvement, and buildings | \$ 2,850,860 | \$ 13,727 | \$ 2,864,587 |
| Infrastructure | 1,349,412 | - | 1,349,412 |
| Sewer treatment plant and system | - | 6,360,178 | 6,360,178 |
| Transportation equipment | 1,925,686 | - | 1,925,686 |
| Other equipment | 1,256,443 | - | 1,256,443 |
| Furniture and fixtures | 53,510 | - | 53,510 |
| Computer equipment | 491,166 | - | 491,166 |
| Construction in progress | - | 3,076,157 | 3,076,157 |
| | <u>7,927,077</u> | <u>9,450,062</u> | <u>17,377,139</u> |
| Less: Accumulated Depreciation | <u>(5,669,840)</u> | <u>(3,789,635)</u> | <u>(9,459,475)</u> |
| | <u>\$ 2,257,237</u> | <u>\$ 5,660,427</u> | <u>\$ 7,917,664</u> |

Major capital asset events during the current fiscal year included the following:

- Other equipment of \$166,103.
- Computer equipment of \$97,661.

Additional information on the City's capital assets can be found in Note 6 of this report.

CITY OF HARAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$935,000. The debt represents bonds secured by specified revenue sources such as the general sales tax. The work for the \$4 million loan for repairs to the sewer and water system began during the 2014 year is still in progress at December 31, 2019. The balance on the DEQ loan is \$2,280,679 as of December 31, 2019. Additional information on long term obligations can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The City generally receives approximately 36% of its revenues from sales tax levied by the City and 24% from ad valorem taxes; therefore, economic indicators are very important in forming the budget estimates for the City's funds. Revenue assumptions are reviewed by the City Council and the Mayor. The uncertainties of the national, state, and local economy require prudent budgeting by the City's elected officials. The City continues to apply for federal and state grants in order to improve the quality of life for the people of the City.

The 2020 general fund budget includes additional property tax revenues to fund salaries and related benefits within the police department. The 2020 sewer fund budget includes additional property tax revenues of \$327,000 to fund operations and maintenance of the sewer fund.

In 2018, the City (under the previous administration) issued a building permit which allowed for the construction of The Blake, an estimated \$28 million approximate 115 thousand square foot assisted living center located on a portion of the site of the former Colonial Country Club. During 2018, the City re-subdivided the approximate 15-acre commercial parcel into 6 commercial parcels which allowed for construction of the Blake. Included in that re-subdivision was an agreement to construct houses on the commercial property then fronting on Colonial Club. That agreement requires re-subdivision and rezoning of the planned residential lots fronting on Colonial as well as a rezoning and re-subdivision, from residential to commercial, of a similar amount of acreage on the interior of the residential portion of the site, in order to maintain the approximate 15 acres of commercial property. With the exception of the re-subdivisions and rezoning discussed in the preceding sentence, the current administration intends to negotiate a necessary Amended Development Agreement before issuing any permits for future development or before entertaining any future re-subdivisions for the remaining portion of the approximate 88-acre site. Among other matters, the Amended Development Agreement will focus on material issues affecting the City including but not limited to Storm Water detention, Sewerage treatment and other matters of financial impact to the City. The City has begun negotiations to reach agreement on an Amended Development Agreement. Development of the entire 88-acre site of expected high end housing and commercial properties is expected to have a positive impact on City revenues as well as create a significant number of jobs.

The COVID-19 outbreak in the United States has caused some disruptions to business and government entities normal activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the COVID-19 outbreak may impact the City's financial position or statement of activities cannot be reasonably estimated at this time.

CITY OF HARAHAH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

Requests for Information

This financial report is designed to provide a general overview of the finances of the City of Harahan, Louisiana, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor 6437 Jefferson Highway, Harahan, Louisiana, 70123.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|---|---|--|----------------------|
| <u>Assets:</u> | | | |
| Cash | \$ 2,876,785 | \$ 76,283 | \$ 2,953,068 |
| Receivables | 372,245 | 55,497 | 427,742 |
| Prepays and other assets | 84,038 | 3,184 | 87,222 |
| Restricted assets: | | | |
| Cash | 642,773 | 624,479 | 1,267,252 |
| Capital assets, net of depreciation: | 2,257,237 | 5,660,427 | 7,917,664 |
| Internal balances | 256,520 | (256,520) | - |
| | <u>\$ 6,489,598</u> | <u>\$ 6,163,350</u> | <u>\$ 12,652,948</u> |
| Total assets | | | |
| <u>Deferred outflows of resources:</u> | | | |
| Deferred loss of resources on bond refunding | \$ 5,178 | \$ - | \$ 5,178 |
| Deferred amounts related to net pension liability | 1,077,262 | - | 1,077,262 |
| | <u>\$ 1,082,440</u> | <u>\$ -</u> | <u>\$ 1,082,440</u> |
| Total deferred outflows of resources | | | |
| <u>Liabilities:</u> | | | |
| Accounts, salaries, and other payables | \$ 281,197 | \$ 925,175 | \$ 1,206,372 |
| Interest payable | 1,977 | - | 1,977 |
| Unearned revenue | 878,436 | - | 878,436 |
| Long term liabilities | | | |
| Due within one year | 392,000 | 132,000 | 524,000 |
| Due after one year | 1,098,763 | 2,148,679 | 3,247,442 |
| Net pension liability | 3,380,731 | - | 3,380,731 |
| | <u>\$ 6,033,104</u> | <u>\$ 3,205,854</u> | <u>\$ 9,238,958</u> |
| Total liabilities | | | |
| <u>Deferred inflows of resources:</u> | | | |
| Unavailable revenue | \$ 1,514,149 | 270,699 | \$ 1,784,848 |
| Deferred amounts related to net pension liability | 467,616 | - | 467,616 |
| | <u>\$ 1,981,765</u> | <u>\$ 270,699</u> | <u>\$ 2,252,464</u> |
| Total deferred inflows of resources | | | |
| <u>Net Position (deficit):</u> | | | |
| Net investment in capital assets | \$ 2,257,237 | \$ 3,379,748 | \$ 5,636,985 |
| Restricted for debt service | 248,957 | 455,228 | 704,185 |
| Restricted for repairs and maintenance | - | 169,251 | 169,251 |
| Unrestricted | (2,949,025) | (1,317,430) | (4,266,455) |
| | <u>\$ (442,831)</u> | <u>\$ 2,686,797</u> | <u>\$ 2,243,966</u> |
| Total net position (deficit) | | | |

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------------|--|--|---|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government - other | \$ 1,574,510 | \$ 1,025,214 | \$ 191,215 | \$ 210,528 | \$ (147,553) | \$ - | \$ (147,553) |
| Public safety - police | 2,416,078 | - | - | - | (2,416,078) | - | (2,416,078) |
| Public safety - fire | 1,184,192 | - | - | - | (1,184,192) | - | (1,184,192) |
| Public works | 370,730 | - | - | - | (370,730) | - | (370,730) |
| Sanitation | 647,385 | 578,106 | - | - | (69,279) | - | (69,279) |
| Recreation | 345,567 | - | - | - | (345,567) | - | (345,567) |
| Interest and fiscal charges | 23,103 | - | - | - | (23,103) | - | (23,103) |
| Total governmental activities | <u>6,561,565</u> | <u>1,603,320</u> | <u>191,215</u> | <u>210,528</u> | <u>(4,556,502)</u> | <u>-</u> | <u>(4,556,502)</u> |
| Business-Type Activities: | | | | | | | |
| Sewer | <u>1,163,028</u> | <u>932,772</u> | <u>175,000</u> | <u>-</u> | <u>-</u> | <u>(55,256)</u> | <u>(55,256)</u> |
| Total governmental activities | <u>\$ 7,724,593</u> | <u>\$ 2,536,092</u> | <u>\$ 366,215</u> | <u>\$ 210,528</u> | <u>(4,556,502)</u> | <u>(55,256)</u> | <u>(4,611,758)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Ad valorem (property) taxes | | | | | 1,684,102 | 351,353 | 2,035,455 |
| Sales and use taxes | | | | | 2,535,592 | - | 2,535,592 |
| Other funding sources, including grants: | | | | | | | |
| Fines, forfeitures, and other | | | | | 279,288 | - | 279,288 |
| Other state revenue not restricted to specific programs | | | | | 281,403 | - | 281,403 |
| Interest and investment earnings | | | | | 41,406 | 5,478 | 46,884 |
| Miscellaneous | | | | | 396,214 | (10,678) | 385,536 |
| Total general revenues and transfers | | | | | <u>5,218,005</u> | <u>346,153</u> | <u>5,564,158</u> |
| Changes in net position | | | | | | | |
| | | | | | 661,503 | 290,897 | 952,400 |
| Net position (deficit), beginning of year | | | | | | | |
| | | | | | <u>(1,104,334)</u> | <u>2,395,900</u> | <u>1,291,566</u> |
| Net position (deficit), end of year | | | | | | | |
| | | | | | <u>\$ (442,831)</u> | <u>\$ 2,686,797</u> | <u>\$ 2,243,966</u> |

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
GOVERNMENTAL FUNDS - BALANCE SHEET
DECEMBER 31, 2019

| | Major Fund Types | | | | Total |
|---|---------------------|-------------------|----------------------|--------------------------|---------------------|
| | General | Sales Tax Fund | Debt Reserve Fund | Capital Projects Fund | |
| <u>ASSETS</u> | | | | | |
| Cash, unrestricted | \$ 1,430,680 | \$ 187 | \$ - | \$ 1,445,918 | \$ 2,876,785 |
| Cash, restricted | 393,816 | - | 248,957 | - | 642,773 |
| Receivables | 197,566 | 174,679 | - | - | 372,245 |
| Due from other funds | 347,401 | - | - | 83,985 | 431,386 |
| Prepaid insurance | 84,038 | - | - | - | 84,038 |
| Total assets | <u>\$ 2,453,501</u> | <u>\$ 174,866</u> | <u>\$ 248,957</u> | <u>\$ 1,529,903</u> | <u>\$ 4,407,227</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ 240,532 | \$ - | \$ - | \$ - | \$ 240,532 |
| Accrued salaries | 40,665 | - | - | - | 40,665 |
| Due to other funds | - | 174,866 | - | - | 174,866 |
| Unearned revenue | 327,436 | - | - | 551,000 | 878,436 |
| Total liabilities | <u>608,633</u> | <u>174,866</u> | <u>-</u> | <u>551,000</u> | <u>1,334,499</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Unavailable revenue | 1,514,149 | - | - | - | 1,514,149 |
| Total deferred inflows of resources | <u>1,514,149</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,514,149</u> |
| <u>FUND BALANCES</u> | | | | | |
| Nonspendable | 84,038 | - | - | - | 84,038 |
| Committed | - | - | - | 978,903 | 978,903 |
| Restricted for police compensation | 77,112 | - | - | - | 77,112 |
| Restricted for debt service | - | - | 248,957 | - | 248,957 |
| Unassigned | 169,569 | - | - | - | 169,569 |
| Total fund balances | <u>330,719</u> | <u>-</u> | <u>248,957</u> | <u>978,903</u> | <u>1,558,579</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 2,453,501</u> | <u>\$ 174,866</u> | <u>\$ 248,957</u> | <u>\$ 1,529,903</u> | <u>\$ 4,407,227</u> |

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total fund balances – governmental funds \$ 1,558,579

The cost of capital assets (land, buildings, furniture, and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the City as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

| | | |
|--|--------------------|-------------|
| Capital assets | \$ 7,927,077 | |
| Accumulated depreciation | <u>(5,669,840)</u> | 2,257,237 |
| Accrual basis recognition of interest expenditures | <u>(1,977)</u> | (1,977) |
| Deferred loss on bond refunding | <u>5,178</u> | 5,178 |
| Net pension liability balances in accordance with GASB 68: | | |
| Deferred outflow of resources - related to net pension liability | 1,077,262 | |
| Net pension liability | (3,380,731) | |
| Deferred inflow of resources - related to net pension liability | <u>(467,616)</u> | (2,771,085) |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All Liabilities – both current and long-term – are reported in the Statement of Net Position.

Balances at December 31, 2019 are:

| | | |
|----------------------|------------------|--------------------|
| Bonds payable | \$ (935,000) | |
| Compensated absences | <u>(555,763)</u> | <u>(1,490,763)</u> |

Net position (deficit) – governmental activities \$ (442,831)

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Major Fund Types | | | | Total |
|---|--------------------|--------------------|-------------------|-----------------------|---------------------|
| | General | Sales Tax Fund | Debt Service Fund | Capital Projects Fund | |
| <u>REVENUES</u> | | | | | |
| Taxes | | | | | |
| Ad valorem | \$ 1,684,102 | \$ - | \$ - | \$ - | \$ 1,684,102 |
| Sales and use | - | 2,535,592 | - | - | 2,535,592 |
| Intergovernmental | 177,554 | - | - | 210,528 | 388,082 |
| FEMA revenue | 13,661 | - | - | - | 13,661 |
| Franchise fees | 469,359 | - | - | - | 469,359 |
| Licenses and permits | 566,725 | - | - | - | 566,725 |
| Fines and forfeitures | 279,288 | - | - | - | 279,288 |
| Charges for services | 578,106 | - | - | - | 578,106 |
| Gaming revenue | 281,403 | - | - | - | 281,403 |
| Interest income | 36,685 | 1,465 | 1,957 | 1,299 | 41,406 |
| Other | 369,961 | - | - | 30,654 | 400,615 |
| Total revenues | <u>4,456,844</u> | <u>2,537,057</u> | <u>1,957</u> | <u>242,481</u> | <u>7,238,339</u> |
| <u>EXPENDITURES</u> | | | | | |
| General government | 1,296,422 | 199,816 | - | - | 1,496,238 |
| Public safety - police | 2,313,179 | - | - | 17,609 | 2,330,788 |
| Public safety - fire | 1,010,210 | - | - | - | 1,010,210 |
| Public works | 332,372 | - | - | - | 332,372 |
| Sanitation | 647,385 | - | - | - | 647,385 |
| Recreation | 326,434 | - | - | - | 326,434 |
| Debt service | | | | | |
| Principal | 222,000 | - | - | - | 222,000 |
| Interest and fiscal charges | 21,443 | - | - | - | 21,443 |
| Capital outlay | 116,510 | - | - | 196,953 | 313,463 |
| Total expenditures | <u>6,285,955</u> | <u>199,816</u> | <u>-</u> | <u>214,562</u> | <u>6,700,333</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u> | <u>(1,829,111)</u> | <u>2,337,241</u> | <u>1,957</u> | <u>27,919</u> | <u>538,006</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Operating transfers in | 2,337,241 | - | - | 281,403 | 2,618,644 |
| Operating transfers out | (281,403) | (2,337,241) | - | - | (2,618,644) |
| Total other financing sources (uses) | <u>2,055,838</u> | <u>(2,337,241)</u> | <u>-</u> | <u>281,403</u> | <u>-</u> |
| <u>CHANGE IN FUND BALANCE</u> | <u>226,727</u> | <u>-</u> | <u>1,957</u> | <u>309,322</u> | <u>538,006</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | <u>103,992</u> | <u>-</u> | <u>247,000</u> | <u>669,581</u> | <u>1,020,573</u> |
| <u>FUND BALANCE - END OF YEAR</u> | <u>\$ 330,719</u> | <u>\$ -</u> | <u>\$ 248,957</u> | <u>\$ 978,903</u> | <u>\$ 1,558,579</u> |

See accompanying notes to financial statements.

CITY OF HARAHAN, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|---|----|---------|
| Total changes in fund balances – governmental funds | \$ | 538,006 |
|---|----|---------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the project.

| | | | |
|----------------------|----|-----------|--------|
| Capital outlays | \$ | 313,463 | |
| Depreciation expense | | (281,110) | 32,353 |

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments of bonds payables.

222,000

Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year.

(15,270)

Change in accrual basis recognition of interest expenditures

Current year amortization of loss on bond refunding

(1,660)

Change in net pension liability and deferred inflows and outflows in accordance with GASB 68

(145,318)

In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

31,392

Change in net position of governmental activities

\$ 661,503

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

| | |
|----------------------|----------------|
| Cash | \$ 76,283 |
| Accounts receivable | 55,497 |
| Prepaid expenses | 3,184 |
| Total current assets | <u>134,964</u> |

NON-CURRENT ASSETS

| | |
|--------------------------|------------------|
| Cash, restricted | 624,479 |
| Capital assets, net | 5,660,427 |
| Total non-current assets | <u>6,284,906</u> |

| | |
|--------------|----------------------------|
| Total assets | <u><u>\$ 6,419,870</u></u> |
|--------------|----------------------------|

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|-------------------------------|------------------|
| Accounts and other payables | \$ 925,175 |
| Loan payable, current portion | 132,000 |
| Due to other funds | 256,520 |
| Total current liabilities | <u>1,313,695</u> |

NON-CURRENT LIABILITY - LOAN PAYABLE

| | |
|-------------------|------------------|
| Total liabilities | <u>2,148,679</u> |
| | <u>3,462,374</u> |

DEFERRED INFLOWS OF RESOURCES - UNAVAILABLE REVENUE

270,699

NET POSITION

| | |
|--|------------------|
| Net investment in capital assets | 3,379,748 |
| Restricted for debt service | 455,228 |
| Restricted for repairs and maintenance by debt agreement | 169,251 |
| Unrestricted (deficit) | (1,317,430) |
| Total net position | <u>2,686,797</u> |

| | |
|--|----------------------------|
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 6,419,870</u></u> |
|--|----------------------------|

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES

| | |
|--------------------------|----------------|
| Charges for service | \$ 932,772 |
| Total operating revenues | <u>932,772</u> |

OPERATING EXPENSES

| | |
|-----------------------------------|------------------|
| Contractual services | 409,933 |
| Supplies, maintenance and repairs | 524,240 |
| Depreciation | 184,438 |
| Miscellaneous | 44,417 |
| Total operating expenses | <u>1,163,028</u> |

| | |
|----------------|------------------|
| Operating loss | <u>(230,256)</u> |
|----------------|------------------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|---|----------------|
| Property tax revenue | 351,353 |
| Operating grant revenue | 175,000 |
| Interest income | 5,478 |
| Interest expense | (10,678) |
| Total non-operating revenues (expenses) | <u>521,153</u> |

| | |
|---|---------|
| <u>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</u> | 290,897 |
|---|---------|

OTHER FINANCING SOURCES (USES)

| | |
|--------------------------------------|----------|
| Transfers in | - |
| Transfers out | - |
| Total other financing sources (uses) | <u>-</u> |

| | |
|--------------------------------------|---------|
| <u>CHANGE IN NET POSITION</u> | 290,897 |
|--------------------------------------|---------|

| | |
|--|------------------|
| <u>NET POSITION - BEGINNING OF YEAR</u> | <u>2,395,900</u> |
|--|------------------|

| | |
|--|----------------------------|
| <u>NET POSITION - END OF YEAR</u> | <u><u>\$ 2,686,797</u></u> |
|--|----------------------------|

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------|
| Cash received from customers | \$ 995,589 |
| Cash paid to suppliers for goods or services | (943,939) |
| Net cash provided by operating activities | <u>51,650</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|----------------|
| Property taxes received | 332,508 |
| Operating grant funds received | 175,000 |
| Change in due to general fund (claim on cash) | (358,696) |
| Net cash provided by financing activities | <u>148,812</u> |

CASH FLOWS FROM CAPITAL ACTIVITIES

| | |
|-------------------------------------|------------------|
| Proceeds from note payable | 391,273 |
| Payments on note payable | (504,923) |
| Interest paid | (10,678) |
| Net cash used in capital activities | <u>(124,328)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Interest received | <u>5,478</u> |
| Net cash provided by financing activities | <u>5,478</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS

81,612

CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR619,150**CASH AND CASH EQUIVALENTS: END OF YEAR**\$ 700,762**RECONCILIATION TO AMOUNTS ON THE STATEMENT OF FINANCIAL POSITION:**

| | |
|------------------|--------------------------|
| Cash | \$ 76,283 |
| Cash, restricted | 624,479 |
| Total cash | <u><u>\$ 700,762</u></u> |

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | |
|--|-------------------------|
| Operating loss | \$ (230,256) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 184,438 |
| Changes in operating assets and liabilities | |
| Accounts receivable | 62,817 |
| Accounts payable and other payables | 34,651 |
| Net cash provided by operating activities | <u><u>\$ 51,650</u></u> |

See accompanying notes to financial statements.

CITY OF HARAHAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(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 population is approximately 9,300 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 accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the reporting entity, for financial statement purposes, the City has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

The City's 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are budgeted. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, investment earnings, and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF HARAHAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

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

Sales Tax Fund - This fund is used to account for the sales tax proceeds of the City, which are transferred to the general fund. The sales tax fund is a special revenue fund and records the receipts of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

A sales tax of 9.75% is collected on purchases in the City of Harahan during the 2019 year. Of the 9.75% total, 5.0% is levied by the state of Louisiana and 4.75% by Jefferson Parish, for itself and other local government subdivisions within the Parish. Of the 4.75% levied by Jefferson Parish, 2.0% is dedicated to the Jefferson Parish School Board and 2.75% is collected for the benefit of the City of Harahan. Sales tax amounts are dedicated to the general operations of the City and to support law enforcement.

The Jefferson Parish Sheriff's Office (a separate reporting entity) collects all Jefferson Parish taxes, except on motor vehicle sales, and retains a collection commission on the share going to local governments. The state collects parish taxes on motor vehicle sales and remits them back to the parish of registration.

Debt Service Fund - 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. This fund was created during the year ended December 31, 2018 to maintain the reserve funds for the bonds refinanced in 2016.

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

The City reports the following major enterprise fund:

Sewer fund - This fund is used to account for the sewerage and water treatment operations of the City 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to users. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy is that deposits can only be made in financial institutions insured by the FDIC.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Accounts receivable are stated at the amount the City expects to collect from outstanding balances. The City provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of each account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2019, the City considers all receivables collectible and no allowance for doubtful accounts has been recorded.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, streets, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are recorded at acquisition value.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All depreciable capital assets are depreciated using the straight-line method over the estimated useful lives as follows:

| | |
|---------------------------|-------------|
| Building and improvements | 10-39 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 7-10 years |
| Other equipment | 5-15 years |
| Transportation equipment | 5-10 years |
| Infrastructure | 25 years |
| Sewer collection system | 20-75 years |
| Sewer treatment plant | 10-50 years |

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and governmental funds balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time.

The governmental funds report a deferred inflow of resources for unavailable revenue from property taxes that were prepaid for the subsequent year. These amounts are deferred and will be recognized as revenue in the subsequent year. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period. Deferred outflows of resources also include a deferred loss on bond refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The governmental funds report a deferred inflow of resources for unearned revenue from proceeds from seized assets and from intergovernmental receipts that were received. These amounts are deferred and will be recognized as revenue when the proceeds are spent.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Compensated Absences

The compensated absences liability for the City includes two components, the employees annual leave and sick leave. The City's policy permits regular full-time employees to accumulate an amount of earned but unused annual leave and sick leave benefits. Annual leave and sick leave benefits are accrued in the period they are earned. For employees with 1 year of continuous service, 1 week of annual leave is earned per year from the employee's anniversary date. For employees with between 2 and 5 years of continuous service, 2 weeks of annual leave is earned per year. For employees with 6-9 years of employment, 3 weeks of annual leave is earned per year. For employees with 10-13 years of employment, 4 weeks of annual leave is earned per year. For employees with 14 or more years of continuous service, 6 weeks of annual leave is earned per year. All regular full-time City employees earn 2 weeks (10 days) of sick leave time on an annual basis.

All earned annual leave for civil service employees such as the police officers and firemen may be carried forward with no limitation or maximum. Non-civil service City employees earned annual leave may be carried forward, not to exceed 120 working days of earned annual leave. Upon separation of employment, the City's employees are paid in full for all earned but unused annual leave (subject to limitation for non-civil service employees). Sick leave for all City employees may be carried forward with no limitation or maximum. Upon separation of employment, the City's employees are paid earned but unused sick leave at a rate of one day for every three days accrued. Compensated absences are recorded as an expenditure in the general fund when paid.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

The five classifications of fund balance for the governmental funds are as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes on itself at its highest level of decision-making authority, the City Council, by formal action or passage of a resolution.

Assigned - resources that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

Net Position

Net position is classified in the following components:

Net investment in capital assets – consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Net Position (continued)

Restricted net position – consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. consists of external restrictions imposed by grantors or laws and regulations.

Unrestricted net position – consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the period. Actual results could differ from those estimates

(2) Budgetary Procedures and Budgetary Accounting

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

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (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 City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(2) Budgetary Procedures and Budgetary Accounting (continued)

- (6) The budgets for the general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (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.

The City adopted the initial 2019 budget for the general fund, the sewer fund, and the sales tax fund on March 21, 2019. The budgets for the 2020 year were adopted before December 31, 2019.

(3) Cash

At December 31, 2019, the City had \$4,220,320 in demand deposits. The bank balances and collateralization for deposit at December 31, 2019 are as follows:

| | |
|------------------------------|---------------------|
| Total bank balances | <u>\$ 4,287,885</u> |
| Federal depository insurance | \$ 296,433 |
| Pledged securities | <u>4,122,665</u> |
| Total collateral | <u>\$ 4,419,098</u> |
| Collateral - Surplus | <u>\$ 131,213</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. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. As indicated above the City is not exposed to collateral credit risk at December 31, 2019, because of the collateral surplus.

Of the total cash shown above, \$2,876,785 is unrestricted for governmental activities, which includes \$1,445,918 committed by nature of the fund for capital improvements. Restricted cash for governmental activities consists of 393,816 related to asset forfeiture funds and \$248,957 restricted for debt service on the outstanding bonds. Restricted cash of \$624,479 for business type activities is restricted under the terms of the DEQ loan agreement. At December 31, 2019, the business type activities (sewer fund) reports unrestricted cash of \$76,283.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(4) Property Taxes

The City levies an ad valorem tax on real property as of January 1. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date (January 1 of the subsequent year). Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. The assessed value at January 1, 2018, upon which the 2019 levies were based, was \$94,439,789.

Ad valorem taxes are recorded as revenue of the period for which levied, thus the 2018 property tax, which was levied to finance the budget for 2019, was recorded as ad valorem tax revenue for the year ended December 31, 2019. The 2019 property tax which was levied to finance the 2020 year, is included as deferred inflows of resources – unavailable revenue at December 31, 2019 and will be recognized as property tax revenue during the year ended December 31, 2020.

The number of mills levied for the City is as follows:

| | <u>2019 budget</u> | <u>2020 budget</u> | <u>Expiration</u> |
|---|--------------------|--------------------|-------------------|
| General operations - 1977 | \$1.610 | \$1.610 | n/a |
| General operations - 1982 | \$2.340 | \$2.340 | n/a |
| General operations | \$4.100 | \$4.100 | n/a |
| Fire protection (general fund) | \$5.000 | \$5.000 | 2025 |
| Police salary and benefits (general fund) | \$5.000 | \$5.000 | 2028 |
| | | | |
| Sewer operations and maintenance | \$0.880 | \$0.880 | n/a |
| Sewer operations and maintenance | \$3.000 | \$3.000 | 2027 |

(5) Accounts Receivable

Accounts receivable at December 31, 2019 consisted of the following:

| | |
|--------------------------------------|-------------------|
| Sales and use tax | \$ 174,680 |
| Franchise fee | 113,927 |
| Video poker | 27,404 |
| Sanitation services | 21,866 |
| Other | 34,368 |
| Total governmental receivables | 372,245 |
| Sanitation services - propriety fund | 55,497 |
| Total propriety fund receivables | 55,497 |
| Total government wide receivables | <u>\$ 427,742</u> |

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(6) Property, Plant, and Equipment

A summary of changes in governmental fund type property, plant, and equipment is as follows:

| | January 1, 2019 | Additions | Deletions | December 31, 2019 |
|--|--------------------|-----------|-----------|----------------------|
| Land, land improvement, and buildings | \$ 2,847,296 | \$ 3,564 | \$ - | \$ 2,850,860 |
| Infrastructure assets | 1,303,277 | 46,135 | - | 1,349,412 |
| Transportation equipment | 1,925,686 | - | - | 1,925,686 |
| Other equipment | 1,090,340 | 166,103 | - | 1,256,443 |
| Furniture and fixtures | 53,510 | - | - | 53,510 |
| Computer equipment | 393,505 | 97,661 | - | 491,166 |
| Total asset cost | 7,613,614 | 313,463 | - | 7,927,077 |
| Less: accumulated depreciation | | | | |
| Land, land improvement, and buildings | (2,121,172) | (55,369) | - | (2,176,541) |
| Infrastructure assets | (345,968) | (52,307) | - | (398,275) |
| Transportation equipment | (1,536,195) | (106,561) | - | (1,642,756) |
| Other equipment | (963,118) | (49,540) | - | (1,012,658) |
| Furniture and fixtures | (53,510) | - | - | (53,510) |
| Computer equipment | (368,767) | (17,333) | - | (386,100) |
| Total accumulated depreciation | (5,388,730) | (281,110) | - | (5,669,840) |
| Net | \$ 2,224,884 | \$ 32,353 | \$ - | \$ 2,257,237 |

Depreciation expense was charged to the functions of the governmental activities as follows:

| | |
|----------------------------|-------------------|
| General government - other | \$ 100,040 |
| Public safety - police | 110,994 |
| Public safety - fire | 23,402 |
| Public works | 31,678 |
| Recreation | 14,996 |
| | <u>\$ 281,110</u> |

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(6) Property, Plant, and Equipment (continued)

A summary of changes in proprietary fund type property, plant, and equipment is as follows:

| | January 1, 2019 | Additions | Deletions | December 31, 2019 |
|--------------------------------|---------------------|---------------------|-------------|----------------------|
| Land | \$ 7,121 | \$ - | \$ - | \$ 7,121 |
| Rights of way | 6,606 | - | - | 6,606 |
| Sewerage collection system | 4,069,255 | - | - | 4,069,255 |
| Sewerage treatment plant | 2,290,923 | - | - | 2,290,923 |
| Sewer infrastructure | 3,076,157 | - | - | 3,076,157 |
| Total asset cost | 9,450,062 | - | - | 9,450,062 |
| Less: accumulated depreciation | | | | |
| Sewerage collection system | (2,329,585) | (68,575) | - | (2,398,160) |
| Sewerage treatment plant | (1,275,612) | (54,340) | - | (1,329,952) |
| Sewer infrastructure | - | (61,523) | - | (61,523) |
| Total accumulated depreciation | (3,605,197) | (184,438) | - | (3,789,635) |
| Net | <u>\$ 5,844,865</u> | <u>\$ (184,438)</u> | <u>\$ -</u> | <u>\$ 5,660,427</u> |

(7) Long-term Obligations

Governmental Activities

Bonds Payable

Bonds payable at December 31, 2019 consist of the following:

\$1,593,000 2016 Series Sales Tax Refunding and Public Improvement Bonds due in semi-annual installments ranging from \$243,146 to \$243,841, including interest through June 1, 2023, at 2.05%.

\$ 935,000

The annual debt service to maturity on improvement bonds outstanding as of December 31, 2019 is as follows:

| December 31, | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2020 | \$ 227,000 | \$ 16,841 | \$ 243,841 |
| 2021 | 231,000 | 12,146 | 243,146 |
| 2022 | 236,000 | 7,360 | 243,360 |
| 2023 | 241,000 | 2,470 | 243,470 |
| Total Bonds | <u>\$ 935,000</u> | <u>\$ 38,817</u> | <u>\$ 973,817</u> |

For the year ended December 31, 2019, interest expense of the general fund was \$21,443.

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(7) Long-term Obligations (continued)

Governmental Activities (continued)

Bonds Payable (continued)

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 up to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2019 is \$9,443,979.

Business-Type Activities

Louisiana Department of Environmental Quality Loan

The City entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the City \$4,000,000 for improvements to the City's wastewater system. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ is evidenced through the Taxable Sewer Revenue Bonds, Series 2014. Annual principal payments are due beginning February 1, 2016 and continuing through February 1, 2025. Future principal payments are based on a percent of the outstanding principal amount on the day before the applicable principal payment date. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on August 1, 2014 and are due semiannually thereafter. The outstanding balance of the loan was \$2,280,679 at December 31, 2019.

The City is in compliance with the debt covenants relating to the LDEQ loan as of December 31, 2019.

The annual debt service to maturity on LDEQ outstanding as of December 31, 2019 including interest and admin fee payments of \$89,859 and \$99,842 respectfully, are as follows:

| <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Admin Fee</u> | <u>Total</u> |
|---------------------|---------------------|------------------|------------------|---------------------|
| 2020 | \$ 132,000 | \$ 10,263 | \$ 11,403 | \$ 153,666 |
| 2021 | 133,000 | 9,669 | 10,743 | 153,412 |
| 2022 | 134,000 | 9,071 | 10,079 | 153,150 |
| 2023 | 135,000 | 8,468 | 9,409 | 152,877 |
| 2024 | 137,000 | 7,860 | 8,733 | 153,593 |
| 2025-2029 | 703,000 | 29,951 | 33,279 | 766,230 |
| 2030-2034 | 738,000 | 13,818 | 15,353 | 767,171 |
| 2035 | 168,679 | 759 | 843 | 170,281 |
| | <u>\$ 2,280,679</u> | <u>\$ 89,859</u> | <u>\$ 99,842</u> | <u>\$ 2,470,380</u> |

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(7) Long-term Obligations (continued)

A summary of changes in long-term obligations are as follows for the year ended December 31, 2019:

| | <u>Governmental Activities</u> | | | <u>Business Type Activities</u> | |
|------------------------|--|---------------------------------|----------------------------------|---------------------------------|---------------------|
| | <u>Bonds Payable - Series 2016</u> | <u>Compensated Absences</u> | <u>Net Pension Liability</u> | <u>Louisiana DEQ Loan</u> | <u>Total</u> |
| January 1 | \$ 1,157,000 | \$ 587,155 | \$ 3,408,330 | \$ 2,394,329 | \$ 7,546,814 |
| Additions | - | 246,321 | - | 391,273 | 637,594 |
| Reductions | (222,000) | (277,713) | (27,599) | (504,923) | (1,032,235) |
| December 31 | <u>\$ 935,000</u> | <u>\$ 555,763</u> | <u>\$ 3,380,731</u> | <u>\$ 2,280,679</u> | <u>\$ 7,152,173</u> |
| Due within one year | <u>\$ 227,000</u> | <u>\$ 165,000</u> | <u>\$ -</u> | <u>\$ 132,000</u> | <u>\$ 524,000</u> |

(8) Interfund Balances and Transfers

Interfund balances as of December 31, 2019 were as follows:

| | <u>Due from other funds</u> | <u>Due to other funds</u> |
|---------------------------|---------------------------------|-------------------------------|
| Governmental Funds | | |
| General fund | \$ 347,401 | \$ - |
| Sales tax fund | - | 174,866 |
| Capital projects fund | 83,985 | - |
| | <u>431,386</u> | <u>174,866</u> |
| Proprietary Funds | | |
| Sewer fund | - | 256,520 |
| | <u>-</u> | <u>256,520</u> |
| Total | <u>\$ 431,386</u> | <u>\$ 431,386</u> |

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(8) Interfund Balances and Transfers (continued)

Interfund transfers for the year ended December 31, 2019 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------|----------------------------|-----------------------------|
| Governmental Funds | | |
| General fund | \$ 2,337,241 | \$ 281,403 |
| Sales tax fund | - | 2,337,241 |
| Capital projects fund | 281,403 | - |
| | <u>2,618,644</u> | <u>2,618,644</u> |
| Proprietary Funds | | |
| Sewer fund | - | - |
| Total | <u>\$ 2,618,644</u> | <u>\$ 2,618,644</u> |

The City makes routine interfund transfers to allocate financial resources to the funds that receive benefit from services provided by another fund, or to establish or close out funds, or to allocate funds for budgeted expenditures. During the year ended December 31, 2019, the general fund transferred \$281,403 to the capital projects fund to provide annual support and the sales tax fund transferred \$2,337,241 to the general fund for operating purposes.

(9) Pension Plans

The City of Harahan is a participating employer in two State-wide cost-sharing multiple employer defined benefit pension plans that include the Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the State-wide plans to the State Legislature. Each system is administered by a separate board of trustees.

General Information about the Pension Plans

Plan Description - MPERS

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Plan Description - FRS

The Firefighters' Retirement System (FRS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefits Provided - MPERS

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and 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. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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.

Upon the death of an active contributing member, or 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 for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability, and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Benefits Provided – MPERS continued)

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children.

Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Benefits Provided – FRS

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251- 11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership.

Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Deferred Retirement Option Plan benefits (DROP) - MPERS

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period, the

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Deferred Retirement Option Plan benefits (DROP) – MPERS (continued)

participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Deferred Retirement Option Plan benefits (DROP) - FRS

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer, and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan - MPERS

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Initial Benefit Option Plan - FRS

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Contributions - MPERS

Contributions for all members are actuarially determined as required by state statutes but cannot be less than 9.0% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the years ending/ended June 30, 2020 and 2019, the total actual employer and employee contribution rate was 40.5% and 42.25%, respectively. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 32.5% and 32.25%, respectively for the employer and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 32.50% and 32.25%, respectively for the employer and 8.0% for the employee.

The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 35.00% and 34.25%, respectively, for employers and 7.5% for the employee.

In accordance with state statutes, the system also receives insurance premium taxes as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. The additional sources are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations. Non-employer contributions are recognized as revenue by the system and are excluded from pension expense for the year. Contributions to the pension plan from the City were \$260,978 for the year ended December 31, 2019.

Contributions - FRS

Contributions for all members are established by statute at 10.0% for wages above poverty and 8.0% for wages below poverty for the years ending/ended June 30, 2019 and 2018. The contributions are deducted from the member's salary and remitted by the City.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2020 and 2019, the actuarially determined contribution rates were 29.75% and 28.32%, respectively, of member's compensation. However, for the years ending/ended June 30, 2019 and 2018, employer contributions were 27.75% and 26.5%, respectively, of covered payroll above poverty and 28.5% and 28.5%, respectively, of covered payroll below poverty, respectively. The actual rates differ from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were \$134,329 for the year ended December 31, 2019.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the City reported a combined liability of \$3,380,731 for its proportionate share of the Net Pension liabilities (NPL). The NPL for FRS and MPERS was measured as of June 30, 2019 and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of those dates. The City's proportion of the NPL was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

The following table reflects the City's proportionate share of the Net Pension Liability for each of the pension plans, the proportion at June 30, 2019 and the change compared to the June 30, 2018 proportion.

| | Net Pension Liability at June 30, 2019 | Rate at June 30, 2019 | Increase (Decrease) on June 30, 2019 Rate |
|---|--|--------------------------|--|
| Municipal Police Employees' Retirement System | \$ 2,148,061 | 23.65% | 0.0325% |
| Firefighters' Retirement System | 1,232,670 | 19.69% | 0.0002% |
| | <u>\$ 3,380,731</u> | | |

The following table reflects the City's recognized pension expense plus the City's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions for each of the pension plans for the year ended December 31, 2019.

| | Pension Expense |
|---|--------------------|
| Municipal Police Employees' Retirement System | \$ 403,996 |
| Firefighters' Retirement System | 238,094 |
| | <u>\$ 642,090</u> |

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(9) Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| MPERS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 4,507 | \$ (66,086) |
| Changes of assumptions | 120,373 | - |
| Net difference between projected and actual earnings on pension plan investments | 139,556 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | | |
| Change in proportion | 294,480 | (244,257) |
| Difference in contributions | 1,536 | (13,061) |
| Employer contributions subsequent to the measurement date | 134,074 | - |
| Total | <u>\$ 694,526</u> | <u>\$ (323,404)</u> |

| FRS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ (88,918) |
| Changes of assumptions | 112,143 | (90) |
| Net difference between projected and actual earnings on pension plan investments | 82,894 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | | |
| Change in proportion | 114,712 | (54,832) |
| Difference in contributions | 2,105 | (372) |
| Employer contributions subsequent to the measurement date | 70,882 | - |
| Total | <u>\$ 382,736</u> | <u>\$ (144,212)</u> |

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan are presented below.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Municipal Police Employees' Retirement System | \$ 694,526 | \$ (323,404) |
| Firefighters' Retirement System | 382,736 | (144,212) |
| | <u>\$ 1,077,262</u> | <u>\$ (467,616)</u> |

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2019. The following table lists the pension contributions made subsequent to the measurement period for each pension plan.

| | Subsequent Contributions |
|---|-----------------------------|
| Municipal Police Employees' Retirement System | \$ 134,074 |
| Firefighters' Retirement System | 70,882 |
| | <u>\$ 204,956</u> |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | MPERS | FRS | Total |
|------|-------------------|-------------------|-------------------|
| 2020 | \$ 141,988 | \$ 43,652 | \$ 185,640 |
| 2021 | 71,522 | 592 | 72,114 |
| 2022 | (11,304) | 44,473 | 33,169 |
| 2023 | 34,842 | 47,449 | 82,291 |
| 2024 | - | 27,488 | 27,488 |
| 2025 | - | 3,988 | 3,988 |
| | <u>\$ 237,048</u> | <u>\$ 167,642</u> | <u>\$ 404,690</u> |

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Actuarial Assumptions

| | MPERS | FRS | | | | | | | | |
|----------------------------|--|--|--------------------|-------|-------|--------|-------|-----------|-------|--|
| Valuation Date | June 30, 2019 | June 30, 2019 | | | | | | | | |
| Actuarial Cost Method | Entry Age Normal Cost | Entry Age Normal Cost | | | | | | | | |
| Actuarial Assumptions: | | | | | | | | | | |
| Expected Remaining | | | | | | | | | | |
| Service Lives | 4 years | 7 years | | | | | | | | |
| Investment Rate of Return | 7.125% net of investment expenses | 7.15% net of fees. | | | | | | | | |
| Inflation Rate | 2.500% | 2.500% per annum | | | | | | | | |
| Mortality | RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members. | The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009, through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and setback three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement. | | | | | | | | |
| Salary Increases | <table><tr><th>Years of Service</th><th>Salary Growth Rate</th></tr><tr><td>1 - 2</td><td>9.75%</td></tr><tr><td>3 - 23</td><td>4.75%</td></tr><tr><td>24 & Over</td><td>4.25%</td></tr></table> | Years of Service | Salary Growth Rate | 1 - 2 | 9.75% | 3 - 23 | 4.75% | 24 & Over | 4.25% | Vary from 14.75% in the first two years of service to 4.50% after 25 years; includes inflation and merit increases |
| Years of Service | Salary Growth Rate | | | | | | | | | |
| 1 - 2 | 9.75% | | | | | | | | | |
| 3 - 23 | 4.75% | | | | | | | | | |
| 24 & Over | 4.25% | | | | | | | | | |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. | For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included. | | | | | | | | |

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Actuarial Assumptions (continued)

The following table lists the methods used by each of the pension plans in determining the long-term rate of return on pension plan investments.

| <u>MPERS</u> | <u>FRS</u> |
|--|--|
| <p>The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 7.89% for the year ended June 30, 2019.</p> | <p>The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 7.80% as of June 30, 2019. Best estimates of real rates of return for each majore asset class included in FRS' target asset allocation as of June 30, 2019.</p> |

Best estimates of the arithmetic real rates of return for each major asset class included in the MPERS' and FRS' target asset allocations as of June 30, 2019 are summarized in the following table.

| <u>Asset Class</u> | <u>Target Allocation</u> | | <u>Long-Term Expected Real Rate of Return</u> | |
|------------------------------------|--------------------------|----------------|---|--------------|
| | <u>MPERS</u> | <u>FRS</u> | <u>MPERS</u> | <u>FRS</u> |
| Fixed Income | 33.50% | 31.00% | 0.80% | 0.67% |
| Equity | 48.50% | 49.00% | 3.28% | 3.26% |
| Alternatives | 18.00% | 10.00% | 1.06% | 0.67% |
| Other | 0.00% | 10.00% | 0.00% | 0.45% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>5.14%</u> | <u>5.05%</u> |
| Inflation | | | <u>2.75%</u> | <u>2.75%</u> |
| Expected Arithmetic Nominal Return | | | <u>7.89%</u> | <u>7.80%</u> |

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Actuarial Assumptions (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MPERS and FRS was 7.125% and 7.15% for the year ended June 30, 2019.

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate

The following presents the City's proportionate share of the Net Pension Liability using the discount rate, as well as what the City's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

| | <u>1.0% Decrease</u> | <u>Current Discount Rate</u> | <u>1.0% Increase</u> |
|-----------------------------------|----------------------|----------------------------------|----------------------|
| <u>MPERS</u> | | | |
| Discount rates | 6.125% | 7.125% | 8.125% |
| City's proportionate share of NPL | \$ 2,992,957 | \$ 2,148,061 | \$ 1,439,278 |
| <u>FRS</u> | | | |
| Discount rates | 6.15% | 7.15% | 8.15% |
| City's proportionate share of NPL | \$ 1,654,110 | \$ 1,232,670 | \$ 760,095 |

Support of Non-Employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities.

CITY OF HARAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(9) Pension Plans (continued)

Support of Non-Employer Contributing Entities (continued)

During the year ended December 31, 2019, the City recognized revenue as a result of support received from non-employer contributing entities for the following amounts for each pension plan:

| | Non-Employer Contributing Entity Revenue |
|---|--|
| Municipal Police Employees' Retirement System | \$ 48,694 |
| Firefighters' Retirement System | 52,771 |
| | <u>\$ 101,465</u> |

Pension Plan Fiduciary Net Position

MPERS and FRS issue publicly available financial reports that include financial statements and required supplementary information for the systems. Detailed information about each system's fiduciary net position is available in these separately issued financial reports. These reports may be obtained by visiting the Louisiana Legislative Auditor's website at www.la.la.gov and searching under the Reports section.

Payables to the Pension Plans

The City recorded accrued liabilities to each of the Retirement Systems for the year ended December 31, 2019 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries, and other payables. The balance due to each for the retirement systems at December 31, 2019 and 2018 is as follows:

| | December 31, 2019 | December 31, 2018 |
|-------|-------------------|-------------------|
| MPERS | \$ 29,953 | \$ 48,239 |
| FRS | 14,996 | 13,190 |
| | <u>\$ 44,949</u> | <u>\$ 61,429</u> |

(10) Commitments and Contingencies

Risk Management

The City 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. During the year ended December 31, 2019, the City carried insurance through various commercial carriers to cover all risks of loss. The City has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

CITY OF HARAHAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(10) Commitments and Contingencies (continued)

Litigation

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City and its attorneys have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate, if possible, of the amount or range of potential loss to the City. As a result of such a review, loss contingencies which could be reasonably estimated, have been categorized as "probably", "reasonably possible", and "remote", as defined in Governmental Accounting Standards Board Codification Section C50- *Claims and Judgements*. The City does not believe any potential loss to the City from any of these lawsuits would have a material impact on the financial statements, as such no amounts are recorded at December 31, 2019.

Agreement

The City entered into an agreement with Veolia Water North America Operating Services, LLC (formerly PSG) on April 20, 2010 for five (5) years to provide for operation and maintenance of the City's wastewater treatment plant and wastewater collection facilities. The terms of this agreement establish automatic annual renewals and an increase in the monthly fixed fee amount based on the consumer price index.

Grant Funding

The City participates in a number of federal, state, and local programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2019 might be impaired. In the City's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing federal, state, and local grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the City.

(11) Sales Tax

A sales tax of 9.75% is collected on purchases in the City of Harahan during the 2019 year. Of the 9.75% total, 5.0% is levied by the state of Louisiana and 4.75% by Jefferson Parish, for itself and other local government subdivisions within the Parish. Of the 4.75% levied by Jefferson Parish, 2.0% is dedicated to the Jefferson Parish School Board and 2.75% is collected for the benefit of the City of Harahan. Sales tax amounts are dedicated to the general operations of the City and to support law enforcement. The Jefferson Parish Sheriff's Office (a separate reporting entity) collects all Jefferson Parish taxes, except on motor vehicle sales, and retains a collection commission on the share going to local governments. The state collects parish taxes on motor vehicle sales and remits them back to the parish of registration.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(12) Recent Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be recorded in a fiduciary fund in the basic financial statements. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be recorded, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for 2020.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include with disclosing information related to debt. The City will implement this guidance in 2020.

The City is currently assessing the impact of these pronouncements on its basic financial statements.

(13) Subsequent Events

The City has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2020, and determined that the following items require disclosure:

The COVID-19 outbreak in the United States has caused some disruptions to business and government entities normal activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the COVID-19 outbreak may impact the City's financial position or statement of activities cannot be reasonably estimated at this time.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

CITY OF HARRAHAN, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Initial Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|--|-------------------|-----------------|--------------|--|
| <u>REVENUES</u> | | | | |
| Ad valorem taxes | \$ 1,639,965 | \$ 1,706,666 | \$ 1,684,102 | \$ (22,564) |
| Intergovernmental | 177,300 | 168,300 | 177,554 | 9,254 |
| FEMA revenue | - | 13,661 | 13,661 | - |
| Franchise fees | 466,354 | 449,854 | 469,359 | 19,505 |
| Fees, licenses and permits | 597,700 | 546,723 | 566,725 | 20,002 |
| Fines and forfeitures | 211,500 | 226,750 | 279,288 | 52,538 |
| Charges for services | 600,000 | 537,388 | 578,106 | 40,718 |
| Gaming revenue | 300,000 | 292,500 | 281,403 | (11,097) |
| Interest income | 30,060 | 40,460 | 36,685 | (3,775) |
| Other | 234,050 | 278,626 | 369,961 | 91,335 |
| Total revenues | 4,256,929 | 4,260,928 | 4,456,844 | 195,916 |
| <u>EXPENDITURES</u> | | | | |
| General government - other | 1,070,761 | 1,290,159 | 1,296,422 | (6,263) |
| Public safety - police | 2,330,079 | 2,236,184 | 2,313,179 | (76,995) |
| Public safety - fire | 1,128,666 | 983,166 | 1,010,210 | (27,044) |
| Public works | 294,557 | 326,807 | 332,372 | (5,565) |
| Sanitation | 657,655 | 657,655 | 647,385 | 10,270 |
| Recreation | 312,300 | 327,050 | 326,434 | 616 |
| Debt service - principal | 222,000 | 222,000 | 222,000 | - |
| Debt service - interest | 21,443 | 21,443 | 21,443 | - |
| Capital outlay | - | - | 116,510 | (116,510) |
| Total expenditures | 6,037,461 | 6,064,464 | 6,285,955 | (221,491) |
| <u>DEFICIENCY OF REVENUES OVER EXPENDITURES</u> | (1,780,532) | (1,803,536) | (1,829,111) | (25,575) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating transfers in | 2,129,070 | 2,361,570 | 2,337,241 | (24,329) |
| Operating transfers out | (300,000) | (292,500) | (281,403) | 11,097 |
| Total other financing sources | 1,829,070 | 2,069,070 | 2,055,838 | (13,232) |
| <u>CHANGE IN FUND BALANCE</u> | 48,538 | 265,534 | 226,727 | (38,807) |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | 103,992 | 103,992 | 103,992 | - |
| <u>FUND BALANCE - END OF YEAR</u> | \$ 152,530 | \$ 369,526 | \$ 330,719 | \$ (38,807) |

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Initial Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|--|--------------------|--------------------|--------------------|--|
| <u>REVENUES</u> | | | | |
| Sales and use tax revenue | \$ 2,300,000 | \$ 2,562,900 | \$ 2,535,592 | \$ (27,308) |
| Interest income | 1,570 | 1,170 | 1,465 | 295 |
| Total revenues | <u>2,301,570</u> | <u>2,564,070</u> | <u>2,537,057</u> | <u>(27,013)</u> |
| <u>EXPENDITURES</u> | | | | |
| General government | 172,500 | 202,500 | 199,816 | (2,684) |
| Total expenditures | <u>172,500</u> | <u>202,500</u> | <u>199,816</u> | <u>(2,684)</u> |
| <u>EXCESS OF REVENUES OVER EXPENDITURES</u> | <u>2,129,070</u> | <u>2,361,570</u> | <u>2,337,241</u> | <u>(24,329)</u> |
| <u>OTHER FINANCING USES</u> | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | (2,129,070) | (2,361,570) | (2,337,241) | (24,329) |
| Total other financing sources (uses) | <u>(2,129,070)</u> | <u>(2,361,570)</u> | <u>(2,337,241)</u> | <u>(24,329)</u> |
| <u>CHANGE IN FUND BALANCE</u> | - | - | - | - |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | - | - | - | - |
| <u>FUND BALANCE - END OF YEAR</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2019 (*)

| <u>Year ended June 30</u> | <u>Employer's proportion of the net pension liability (asset)</u> | <u>Employer's proportionate share of the net pension liability (asset)</u> | <u>Employer's covered payroll</u> | <u>Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|---|---|--|---------------------------------------|---|---|
| <u>Municipal Police Employees' Retirement System</u> | | | | | |
| 2019 | 0.2365% | \$ 2,148,061 | \$ 745,771 | 288.0323% | 71.0078% |
| 2018 | 0.2691% | \$ 2,274,785 | \$ 710,290 | 320.2614% | 71.8871% |
| 2017 | 0.1930% | \$ 1,684,561 | \$ 574,178 | 293.3865% | 70.0815% |
| 2016 | 0.2201% | \$ 2,062,451 | \$ 631,991 | 326.3418% | 66.0422% |
| 2015 | 0.2158% | \$ 1,690,340 | \$ 574,637 | 294.1579% | 70.7303% |
| <u>Firefighters Retirement System</u> | | | | | |
| 2019 | 0.1969% | \$ 1,232,670 | \$ 475,766 | 259.0917% | 73.9643% |
| 2018 | 0.1971% | \$ 1,133,545 | \$ 439,205 | 258.0902% | 74.7634% |
| 2017 | 0.1669% | \$ 956,531 | \$ 389,641 | 245.4903% | 73.5479% |
| 2016 | 0.1702% | \$ 1,113,458 | \$ 383,833 | 290.0892% | 68.1550% |
| 2015 | 0.1793% | \$ 967,772 | \$ 381,072 | 253.9604% | 72.4475% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(*) The amounts presented were determined as of the measurement date (year ended June 30)

CITY OF HARAHAN, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2019

| Year ended December 31 | Contractually required contribution (1) | Contributions in relation to the contractually required contribution (2) | Contribution deficiency (excess) | Employers covered payroll (3) | Contributions as a percentage of covered payroll |
|---|---|--|--|----------------------------------|--|
| <u>Municipal Police Employees' Retirement System</u> | | | | | |
| 2019 | \$ 260,978 | \$ 260,978 | \$ - | \$ 806,037 | 32.38% |
| 2018 | \$ 225,800 | \$ 225,800 | \$ - | \$ 717,127 | 31.49% |
| 2017 | \$ 202,309 | \$ 202,309 | \$ - | \$ 646,954 | 31.27% |
| 2016 | \$ 160,576 | \$ 160,576 | \$ - | \$ 525,053 | 30.58% |
| 2015 | \$ 190,359 | \$ 190,359 | \$ - | \$ 621,844 | 30.61% |
| <u>Firefighters Retirement System</u> | | | | | |
| 2019 | \$ 134,329 | \$ 134,329 | \$ - | \$ 494,853 | 27.15% |
| 2018 | \$ 125,245 | \$ 125,245 | \$ - | \$ 456,040 | 27.46% |
| 2017 | \$ 115,668 | \$ 115,668 | \$ - | \$ 446,279 | 25.92% |
| 2016 | \$ 90,633 | \$ 90,633 | \$ - | \$ 341,374 | 26.55% |
| 2015 | \$ 108,362 | \$ 108,362 | \$ - | \$ 383,587 | 28.25% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(*) The amounts presented were determined as of the measurement date (year ended June 30)

(1) Employer contribution rate multiplied by employer's covered employee payroll

(2) Actual employer contributions remitted to Retirement systems

(3) Employers covered payroll amount for the year ended December 31 of each year

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO CITY COUNCIL MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|----------------|----|---------------|
| Jason Asbill | \$ | 11,400 |
| Tommy Budde | | 11,400 |
| Eric Chatelain | | 11,400 |
| Craig Johnston | | 11,400 |
| Carrie Wheeler | | 11,400 |
| | \$ | <u>57,000</u> |

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO
AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head: Tim Baudier, Mayor

| | |
|----------------------|------------------|
| Gross salary | \$ 59,000 |
| Car allowance | 4,200 |
| Benefits - insurance | 7,215 |
| Benefits - life | 210 |
| | <u>\$ 70,625</u> |

See accompanying independent auditors' report.

**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**

The Honorable Mayor and the City Council
City of Harahan, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Harahan (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2020

CITY OF HARRAHAN, LOUISIANA
Harahan, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2019

- (1) Current Year Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

2019-001 Budget Act

| | |
|------------------------|---|
| <i>Criteria:</i> | Louisiana Revised Statute 39.1309 provides that all action necessary to adopt and otherwise finalize and implement the budget for a fiscal year be completed before the end of the prior fiscal year. Louisiana Revised Statute 39.1311 provides that the adopted budget shall form the framework from which the administrative officers shall monitor revenues and expenditures. |
| <i>Condition:</i> | The City adopted the December 31, 2019 budget for the General Fund, the Sales Tax Fund, the Capital Projects Fund, and the Sewer Funds on February 21, 2019. These budgets for the year ended December 31, 2019 were not adopted before December 31, 2018. |
| <i>Cause:</i> | The annual budgets for the year ended December 31, 2019 were not adopted by the Council prior to December 31, 2018. |
| <i>Effect:</i> | The City did not comply with the Louisiana Revised Statutes cited above. |
| <i>Recommendation:</i> | The Council should adopt an annual budget for all funds before the end of each respective prior fiscal year to comply with the requirements with Statutes 39.1309 and 39.1311 |

Management's response: The City concurs with the items and has implemented procedures for approval of the December 31, 2020 budget prior to December 31, 2019.

CITY OF HARRAHAN, LOUISIANA
Harahan, Louisiana

Summary Schedule of Prior Audit Findings

Year ended December 31, 2019

- (2) Prior Year Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standard*:

2018-001 Failure to Amend Budget (originated in 2011)

Condition: For the year ended December 31, 2018, the actual expenditures and other uses of the General Fund of \$6,316,368 exceeded the budgeted expenditures and other uses of \$5,934,482, resulting in an unfavorable variance that exceeded 5% and the actual expenditures and other uses of the Sales Tax Fund of \$2,324,883 exceeded the budgeted expenditures and other uses of \$2,142,850, resulting in an unfavorable variance that exceeded 5%.

Status: Resolved.

2018-002 DOJ Asset Forfeiture Fund Compliance

Condition: The City's Police Department does not have appropriate written policies and procedures as it relates to the management and maintenance of the Department of Justice's ("DOJ") Equitable Sharing Program funds. The Equitable Sharing Agreement and Certification (ESAC) for the year ended December 31, 2017 was not filed in a timely manner.

Status: Resolved.

2018-003 Non-compliance with Public Bid Law

Condition: The City did not obtain bids in appropriate manner for the purchase of an item between \$10,000 and less than \$30,000.

Status: Resolved.

2018-004 Debt Covenants

Condition: The City's debt service coverage ratio was (37%) as of December 31, 2018.

Status: Resolved.

2018-005 Lost Court Revenue Due to Inappropriate Staffing

Condition: The City's Police Department sent tickets issued during part of 2018 to the 1st Parish Court instead of the City of Harahan Court. The 1st Parish Court retained the ticket fees collected.

Status: Resolved.

To the Honorable Mayor and City Council of
The City of Harahan, Louisiana:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Harahan (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2020.

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

During our audit we noted certain matters involving internal control and other operational matters 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.

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.

The City's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, and management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2020

CITY OF HARAHAH
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-01 Information Technology

Observation: During the course of performance of audit procedures, we noted that there is no formally established policy and procedures for periodic review in which the existing users and the type of access granted on the network and application systems is reviewed.

Recommendation: We recommend that the City establish a formal policy in which all users and their access rights are reviewed by management periodically. The policy should disclose that review should be performed at the application, database, and network level and evidence of the review should be maintained. Also, the policy should disclose that administrative access should be restricted for IT employees only. If system limitations/business processes require end users to have administrative level access in Incode, additional monitoring processes should be implemented to review account activity.

Management Response: The City concurs with the recommendation for adoption of an information technology and business continuity policy and has drafted a policy. The City did perform a review of user access during the 2019 year and made adjustments as necessary. The City will work with information technology personnel to develop a formal policy that will be in place by December 31, 2020.

CITY OF HARRAHAN
PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-01 Payroll

Observation: During the course of performance of audit procedures, we noted that approved pay rate documentation was not consistently retained in employee personnel files. Also, we noted that employee time cards were not consistently signed by the employee and approved by the department head.

Status: Resolved.

2018-2 Compensated Absences Schedule

Observation: During the course of performance of audit procedures, we noted the City updated the schedule of compensated absences as part of the audit process in June 2019. Each respective department head provides information to the payroll department.

Status: Resolved.

2018-03 Review of Invoices

Observation: During the course of performance of audit procedures, we noted that three invoices from the same vendor totaling approximately \$18,800 appeared to be for some of the same services on the same dates.

Status: Resolved.

2018-04 Information Technology

Observation: During the course of performance of audit procedures, we noted that there is no formally established periodic review in which the existing users and the type of access granted on the network and application systems is reviewed. Also, we noted that end users have access to administrative functions within the Incode system.

Status: Partially resolved – see current year management letter comment 2019-01.

CITY OF HARRAHAN, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES
DECEMBER 31, 2019

CITY OF HARRAHAN, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Council Members of the City of Harahan and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule A, which were agreed to by the City of Harahan (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

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

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

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2020

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*”. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, “*procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity*” is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted the following exception:

- ***No written policies regarding (2) how vendors are added to the vendor list.***

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

We performed the procedures above and noted no exceptions.

- d) ***Receipts***, including receiving, recording, preparing deposits, and management actions to determine completeness of all collections for each type of revenue or agency fund addition(s)

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted the following exceptions:

- ***No written policy regarding (2) standard terms and conditions.***
- ***No written policy regarding (3) legal review.***
- ***No written policy regarding (4) approval process.***
- ***No written policy regarding (5) monitoring process.***

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted the following exception:

- ***A written dollar threshold does not exist for all categories of expenses (i.e., exists for some categories).***
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana revised Statute 42:1111-112, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy

We performed the procedures above and noted the following exceptions:

- ***No written policy regarding (1) prohibitions as defined in Louisiana revised Statute 42:1111-1121.***
 - ***No written policy regarding (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.***
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, (4) debt service requirements

We performed the procedures above and noted the following exception:

- ***No written policy regarding (2) continuing disclosure/EMMA reporting requirements.***
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the procedures above and noted the following exceptions:

- ***The City does not have a Disaster Recovery/Business Continuity policy.***

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

Board

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

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

We performed the procedures above and noted no exceptions.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

We performed the procedures above and noted the following exception:

- ***No reference within the documented council meeting minutes of monthly budget-to-actual comparisons for nine monthly council meetings.***
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

We performed the procedures above and noted the following exception:

- ***No reference within the documented council meeting minutes of a formal plan to eliminate the negative unassigned fund balance in the General Fund as of 12/31/2018.***

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

Collections

4. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We performed the procedures above and noted no exceptions.

5. For each deposit site selected, obtain a listing of collection locations. (A collection location is a physical location where cash is collected. Any entity may have one or more collection locations whose collections (receipts) are brought to a single deposit site for deposit.) Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), and obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that the job duties are properly segregated at each collection location such that: (if entity does not have written policies and procedures, inquire of employees about their job duties)

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the procedures above and noted no exceptions.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We performed the procedures above and noted no exceptions.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger posting to each other and to the deposit.

We performed the procedures above and noted no exceptions.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We performed the procedures above and noted no exceptions.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

We performed the procedures above and noted the following exception:

- *The City Clerk is bonded as required by the Lawrason Act as the City's tax collector. All other employees who have access to cash were not bonded until December 30, 2019.*

7. Randomly select 2 deposit dates for each of the 5 bank accounts selected as part of LLA Procedure #3. (Select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and complete the following procedures:

- a) Observe that receipts are sequentially pre-numbered.

We performed the procedures above and noted no exceptions.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We performed the procedures above and noted no exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement

We performed the procedures above and noted no exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection locations (within one week if the depository is more than 10 miles from the collections location or the deposit is less than \$100).

We performed the procedures above and noted the following exception:

- *For three of the four deposits tested, the deposits were not made within one business day of receipt at the collection location.*

- e) Trace the actual deposit per the bank statement to the general ledger.

We performed the procedures above and noted no exceptions.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) At least two employees are involved in processing and approving payments to vendors.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

10. For each location selected under #9 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) Observe that the disbursement documentation included evidence of segregation of duties tested under LLA Procedures #9, as applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

Ethics

20. Using the five randomly selected employees/officials from LLA procedure #16 (see Payroll and Personnel testing), obtain ethics documentation from management, and:

- a) Observe that ethics documentation evidences each employee/official's completion of one hour of ethics training during the fiscal period.

We performed the procedures above and noted the following exceptions:

- ***Two of the five employees tested did not complete one hour of ethics training during the fiscal period.***

- b) Observe that ethics documentation, evidenced through signature verification, reflects each employee/official's attestation that they have read the entity's ethics policy during the fiscal year.

We performed the procedures above and noted the following exceptions:

- ***For the five employees tested, there was no signature verification that employees/officials read the entity's ethics policy during the fiscal year.***

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal year. For all newly issued bonds/notes obtain supporting documentation and observe that the State Bond Commission approval was obtained. Then obtain a listing of bonds/notes outstanding at the end of the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

22. Randomly select one bond/note and inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

CITY OF HARRAHAN
AGREED UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. This notice (available for download at www.la.la.gov/hotline) concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

Management's Response

Management has reviewed the above items and will address each exception by adding in policies/procedures and/or implementing other actions by December 31, 2020. The City has drafted policies to present to the Mayor and Council for approval.