
CITY OF HARRAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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CITY OF HARRAHAN, LOUISIANA

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DECEMBER 31, 2018

CITY OF HARAHAN, LOUISIANA

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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, 2018, 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 auditor's 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, 2018, 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.

Correction of an Error

As described in Note 11 to the financial statements, the City identified an error relate to accounts payable which affected the prior year financial statements. Accordingly, amounts reported for accounts payable and beginning net position have been restated in the 2018 financial statements now presented, and an adjustment has been made to net position as of December 31, 2017, to correct the error. Our opinions are 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 contributions to the defined benefit plans on pages 4 to 12 and 49 to 52 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 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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, 2019, 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, 2019

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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, 2018. 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 \$1,291,566 (*net position*).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,020,573, a decrease of \$323,648.
- At December 31, 2018, fund balance for the General fund is \$103,992, which includes nonspendable fund balance of \$176,246, and an unassigned deficit fund balance of \$72,254. This represents a \$287,421 decrease from the December 31, 2017 balance of \$391,413. The unassigned deficit fund balance in the general fund of \$72,254 represents a decrease in unassigned fund balance of \$238,176.
- Deferred inflows of resources – unearned revenue in the general fund increased from \$1,271,059 to \$1,743,204, an increase of \$472,145 at December 31, 2018. The increase in deferred inflows of resources is primarily due to the 5 mill increase in the ad valorem tax to support police salaries and benefits voted on during 2018.
- During the year ended December 31, 2018, improvements to the water and sewer system continued funded by the \$4 million loan from the Louisiana Department of Environmental Quality (LDEQ). As of December 31, 2018, the loan balance relating to this project is \$2,394,329. During the year ended December 31, 2018, the loan funded improvements of \$894,043 to the sewer fund.
- Deferred inflows of resources – unearned revenue in the proprietary fund (sewer fund) increased from \$61,750 to \$289,544, an increase of \$227,794 at December 31, 2018. The increase in deferred inflows of resources is due to the 3 mill increase in the ad valorem tax voted on during 2017.

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 HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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 13-14 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, the 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 15 and 17 of this report.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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 19-21 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, 2018, 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 22-48 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 49-52.

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 \$1,291,566 at the close of the most recent fiscal year.

CITY OF HARRAHAN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Government-Wide Financial Analysis (continued)

The following table reflects the condensed Statement of Net Position as of December 31, 2018:

City of Harahan's Net Position						
December 31						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017 (as restated)	2018	2017
Assets:						
Current and other assets	\$ 2,386,228	\$ 3,526,748	\$ 121,498	\$ 80,791	\$ 2,507,726	\$ 3,607,539
Restricted assets	247,000	-	619,150	512,992	866,150	512,992
Capital assets	2,224,884	1,933,413	5,844,865	4,620,668	8,069,749	6,554,081
Other	615,216	(316,529)	(615,216)	316,529	-	-
Total assets	<u>5,473,328</u>	<u>5,143,632</u>	<u>5,970,297</u>	<u>5,530,980</u>	<u>11,443,625</u>	<u>10,674,612</u>
Deferred outflows of resources:						
Bond refunding	6,838	8,461	-	-	6,838	8,461
Deferred amounts - net pension liability	<u>1,188,137</u>	<u>537,095</u>	<u>-</u>	<u>-</u>	<u>1,188,137</u>	<u>537,095</u>
Total deferred outflows	<u>1,194,975</u>	<u>545,556</u>	<u>-</u>	<u>-</u>	<u>1,194,975</u>	<u>545,556</u>
Liabilities:						
Current liabilities	657,694	769,990	890,524	1,557,389	1,548,218	2,327,379
Long-term liabilities	4,930,485	4,382,777	2,394,329	1,199,935	7,324,814	5,582,712
Total liabilities	<u>5,588,179</u>	<u>5,152,767</u>	<u>3,284,853</u>	<u>2,757,324</u>	<u>8,873,032</u>	<u>7,910,091</u>
Deferred inflows of resources:						
Unearned revenue	1,778,884	1,271,059	289,544	61,750	2,068,428	1,332,809
Deferred amounts - net pension liability	<u>405,574</u>	<u>327,624</u>	<u>-</u>	<u>-</u>	<u>405,574</u>	<u>327,624</u>
Total deferred inflows	<u>2,184,458</u>	<u>1,598,683</u>	<u>289,544</u>	<u>61,750</u>	<u>2,474,002</u>	<u>1,660,433</u>
Net Position:						
Net investment in capital assets	2,224,884	558,413	3,450,536	3,234,733	5,675,420	3,793,146
Restricted for debt service	247,000	127,167	451,713	239,653	698,713	366,820
Restricted for repairs	-	-	179,886	273,339	179,886	273,339
Unrestricted	<u>(3,576,218)</u>	<u>(1,747,842)</u>	<u>(1,686,235)</u>	<u>(1,035,819)</u>	<u>(5,262,453)</u>	<u>(2,783,661)</u>
Net position (deficit)	<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>

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Government-Wide Financial Analysis (continued)

By far, the largest portion of the City's net position (\$5,675,420) reflects its investment in capital assets (e.g. land, buildings, streets, machinery, vehicles, 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 (\$698,713 and \$179,886) 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 (\$5,262,453), which is an increase in the deficit of \$2,478,792.

The following table provides a summary of the changes in net position for the 2018 year:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:				(as restated)		
Program revenue:						
Charges for services	\$ 1,747,492	\$ 1,709,678	\$ 1,157,867	\$ 1,379,845	\$ 2,905,359	\$ 3,089,523
Operating grants and contributions	185,132	300,688	-	-	185,132	300,688
Capital grants and contributions	86,176	70,712	-	-	86,176	70,712
General revenue:						
Ad valorem (property) taxes	1,186,539	1,146,870	76,761	73,458	1,263,300	1,220,328
Sales and use taxes	2,324,023	2,362,493	-	-	2,324,023	2,362,493
Fines, forfeitures, and other	74,409	265,186	-	-	74,409	265,186
Gaming taxes	306,391	310,398	-	-	306,391	310,398
Interest income	26,550	15,292	2,311	-	28,861	15,292
Loss on disposal of assets	(4,396)	-	-	-	(4,396)	-
Transfer	200,320	504,872	(200,320)	(504,872)	-	-
Miscellaneous	137,744	195,253	48	(4,508)	137,792	190,745
Total revenues	<u>6,270,380</u>	<u>6,881,442</u>	<u>1,036,667</u>	<u>943,923</u>	<u>7,307,047</u>	<u>7,825,365</u>
Expenses:						
General government - other	1,544,854	1,496,835	-	-	1,544,854	1,496,835
Public safety - police	2,357,247	2,074,292	-	-	2,357,247	2,074,292
Public safety - fire	1,040,115	956,905	-	-	1,040,115	956,905
Public works	334,099	316,112	-	-	334,099	316,112
Sewer	-	-	1,352,673	1,214,750	1,352,673	1,214,750
Sanitation	668,979	747,985	-	-	668,979	747,985
Recreation	339,983	370,630	-	-	339,983	370,630
Interest and fiscal charges	27,175	31,507	-	-	27,175	31,507
Total expenses	<u>6,312,452</u>	<u>5,994,266</u>	<u>1,352,673</u>	<u>1,214,750</u>	<u>7,665,125</u>	<u>7,209,016</u>
Increase (decrease) in net position	<u>(42,072)</u>	<u>887,176</u>	<u>(316,006)</u>	<u>(270,827)</u>	<u>(358,078)</u>	<u>616,349</u>
Net position, January 1 (as restated)	<u>(1,062,262)</u>	<u>(1,949,438)</u>	<u>2,711,906</u>	<u>2,982,733</u>	<u>1,649,644</u>	<u>1,033,295</u>
Net position, December 31	<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>

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Government-Wide Financial Analysis (continued)

Governmental activities decreased the City's net position by \$42,072 during the year ended December 31, 2018. Key elements of the decrease are as follows:

- Fines, forfeitures, and other decreased by \$190,777 due to the City sending traffic tickets to Jefferson Parish court for processing for several months during 2018.
- The increase in police related expenses primarily relates to an increase in the pension expense (actuarially determined amounts) recorded during the year ended December 31, 2018 of \$544,623 due to an increase in the City's proportionate share of the net pension liability from 0.1930% to 0.2691%.
- The increase in fire related expenses primarily relates to an increase in the pension expense (actuarially determined amounts) recorded during the year ended December 31, 2018 of \$151,246 due to an increase in the City's proportionate share of the net pension liability from 0.1669% to 0.1971%.
- The decrease in sanitation expenses of \$79,006 is primarily due to recycle fees of \$51,440 that were not incurred during the year ended December 31, 2018 due to the discontinuation of recycling services.

Business-type activities decreased the City's net position by \$316,006 during the year ended December 31, 2018. Key elements of the decrease are as follows:

- Charges for services revenue decreased by \$221,978 due to a reduction in fees charged effective on August 1, 2017.
- Sewer operations and maintenance expenses increased by \$137,923 due to additional repairs and maintenance expenses on the sewer lines.
- Operating transfers from the sewer fund to the general fund decreased by \$304,552 during the year ended December 31, 2018.

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 \$1,020,573, a decrease of \$323,648 in comparison with the prior year. This total consists of general fund, \$103,992; sales tax fund, \$0; debt service fund, \$247,000; and the capital projects fund, \$669,581. These fund balances (deficits) are intended, and in some cases restricted, committed or assigned, for specific purposes.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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 deficit of \$72,254. 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 (0.01253%) of the general fund's final budgeted expenditures of \$5,762,977.

During the year ended December 31, 2018, the general fund balance decreased by \$287,421, primarily due to the transfer out to the debt service fund of \$247,000 to fund the bond reserve.

The sales tax fund reported fund balance of \$0 at December 31, 2018. Sales tax receipts in the sales tax fund are transferred to the general fund for operations of the City. Sales tax revenue of \$2,324,023 decreased \$38,470 in comparison to the prior year.

The fund balance of the debt service fund increased from \$0 to \$247,000. The increase in fund balance of \$247,000 is due to the transfer in from the general fund during the current year.

The fund balance of the capital projects fund decreased from \$952,808 to \$669,581 during the year ended December 31, 2018. The decrease of \$283,227 during 2018 represents a reduction of 29.73% of total fund balance from the prior year. Expenditures in the capital projects fund exceeded transfers in from the general fund and capital grant revenue, which led to the decrease in fund balance.

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 \$1,686,235, which is an increase in the deficit of \$650,416 as compared to the prior year unrestricted net deficit of \$1,035,819. The total decrease in net position was \$316,006 during the year ended December 31, 2018.

General Fund Budgetary Highlights

The City approved the general fund budget during the year ended December 31, 2018 and the budget was not amended. For the current fiscal year, the total revenue was less than budgeted revenues by \$87,820 and the total expenditures were greater than budgeted expenditures by \$128,495.

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

- Fines and forfeitures revenue of \$74,409 is less than budgeted fines and forfeiture revenue of \$229,600.
- Debt service principal expenditures \$218,000 and debt service interest expenditures of \$25,924 were not included in the 2018 budget.
- Transfers into the general fund of \$2,345,857 were greater than the budgeted amounts of \$2,165,420 primarily due to the sales tax collections in excess of budgeted amounts.
- Transfers out of the general fund of \$553,391 were greater than the budgeted amounts of \$300,000 primarily due to the transfer of \$247,000 to the debt service fund.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

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, 2018 amounts to \$8,069,749 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, transportation equipment, furniture and equipment, and computer equipment. The total increase in the City's investment in capital assets for the current fiscal year was 23%.

Capital Assets (Net of Depreciation)

December 31, 2018

	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>type</u>	<u>Total</u>
		<u>Activities</u>	
Land, land improvement, and buildings	\$ 2,847,296	\$ 13,727	\$ 2,861,023
Infrastructure	1,303,277	-	1,303,277
Sewer treatment plant and system	-	6,360,178	6,360,178
Transportation equipment	1,925,686	-	1,925,686
Other equipment	1,090,340	-	1,090,340
Furniture and fixtures	53,510	-	53,510
Computer equipment	393,505	-	393,505
Construction in progress	-	3,076,157	3,076,157
	<u>7,613,614</u>	<u>9,450,062</u>	<u>17,063,676</u>
Less: Accumulated Depreciation	<u>(5,388,730)</u>	<u>(3,605,197)</u>	<u>(8,993,927)</u>
	<u>\$ 2,224,884</u>	<u>\$ 5,844,865</u>	<u>\$ 8,069,749</u>

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

- Street improvements and related engineering fees of \$408,884.
- Purchase of police vehicles for \$85,438.
- Construction improvements and related engineering fees for the sewer treatment plant of \$1,409,101 during the year ended December 31, 2018 as funded by the Louisiana DEQ loan.

The City also recorded asset disposals within governmental activities during the year with a historical cost of \$484,570 and related accumulated depreciation of \$480,174 for a net loss of \$4,396. Additional information on the City's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,157,000. 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, 2018. The balance on the DEQ loan is \$2,394,329 as of December 31, 2018. Additional information on long term obligations can be found in Note 7 of this report.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Economic Factors and Next Year's Budget and Rates

The City generally receives approximately 38% of its revenues from sales tax levied by the City and 19% 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 2019 general fund budget includes additional property tax revenues of \$427,965 to fund salaries and related benefits within the police department. The 2019 sewer fund budget includes additional property tax revenues of \$327,000 to fund operations and maintenance of the sewer fund. The City has received commitments from Jefferson Parish for 2019 funding of \$300,000 to support the purchase of a fire truck and 2019 funding of \$250,000 to fund repairs to streets.

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 rezonings 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.

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 at 6437 Jefferson Highway, Harahan, Louisiana, 70123.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Cash	\$ 1,719,105	\$ -	\$ 1,719,105
Receivables	490,131	118,314	608,445
Prepays and other assets	176,992	3,184	180,176
Restricted assets:			
Cash	247,000	619,150	866,150
Capital assets, net of depreciation:	2,224,884	5,844,865	8,069,749
Internal balances	615,216	(615,216)	-
	<u>\$ 5,473,328</u>	<u>\$ 5,970,297</u>	<u>\$ 11,443,625</u>
<u>Deferred outflows of resources:</u>			
Deferred outflow of resources on refunding	\$ 6,838	\$ -	\$ 6,838
Deferred amounts related to net pension liability	1,188,137	-	1,188,137
	<u>\$ 1,194,975</u>	<u>\$ -</u>	<u>\$ 1,194,975</u>
<u>Liabilities:</u>			
Accounts, salaries, and other payables	\$ 433,717	\$ 890,524	\$ 1,324,241
Interest payable	1,977	-	1,977
Long term liabilities			
Due within one year	222,000	130,000	352,000
Due after one year	1,522,155	2,264,329	3,786,484
Net pension liabilities	3,408,330	-	3,408,330
	<u>\$ 2,179,849</u>	<u>\$ 3,284,853</u>	<u>\$ 5,464,702</u>
<u>Deferred inflows of resources:</u>			
Unearned revenue	\$ 1,778,884	\$ 289,544	\$ 2,068,428
Deferred amounts related to net pension liability	405,574	-	405,574
	<u>\$ 2,184,458</u>	<u>\$ 289,544</u>	<u>\$ 2,474,002</u>
<u>Net Position (Deficit):</u>			
Net investment in capital assets	\$ 2,224,884	\$ 3,450,536	\$ 5,675,420
Restricted for debt service	247,000	451,713	698,713
Restricted for repairs and maintenance	-	179,886	179,886
Unrestricted	(3,576,218)	(1,686,235)	(5,262,453)
	<u>\$ (1,104,334)</u>	<u>\$ 2,395,900</u>	<u>\$ 1,291,566</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ 1,544,854	\$ 1,133,235	\$ 185,132	\$ 86,176	\$ (140,311)	\$ -	\$ (140,311)
Public safety - police	2,357,247	-	-	-	(2,357,247)	-	(2,357,247)
Public safety - fire	1,040,115	113,043	-	-	(927,072)	-	(927,072)
Public works	334,099	-	-	-	(334,099)	-	(334,099)
Sanitation	668,979	501,214	-	-	(167,765)	-	(167,765)
Recreation	339,983	-	-	-	(339,983)	-	(339,983)
Interest and fiscal charges	27,175	-	-	-	(27,175)	-	(27,175)
Total governmental activities	6,312,452	1,747,492	185,132	86,176	(4,293,652)	-	(4,293,652)
Business-Type Activities:							
Sewer	1,352,673	1,157,867	-	-	-	(194,806)	(194,806)
Total	\$ 7,665,125	\$ 2,905,359	\$ 185,132	\$ 86,176	(4,293,652)	(194,806)	(4,488,458)

General revenues							
Taxes:							
Ad valorem (property) taxes				1,186,539	76,761		1,263,300
Sales and use taxes				2,324,023	-		2,324,023
Other funding sources, including grants:							
Fines, forfeitures, and other				74,409	-		74,409
Other state revenue not restricted to specific programs				306,391	-		306,391
Interest and investment earnings				26,550	2,311		28,861
Loss on disposal of assets				(4,396)	-		(4,396)
Internal transfer				200,320	(200,320)		-
Miscellaneous				137,744	48		137,792
Total general revenues and transfers				4,251,580	(121,200)		4,130,380
Changes in net position				(42,072)	(316,006)		(358,078)
Net position, beginning of year, as previously reported				(1,062,262)	3,050,354		1,988,092
Prior period adjustment (Note 11)				-	(338,448)		(338,448)
Net position (deficit), beginning of year as restated				(1,062,262)	2,711,906		1,649,644
Net position (deficit), end of year				\$ (1,104,334)	\$ 2,395,900		\$ 1,291,566

See accompanying notes to financial statements.

CITY OF HARAHAN, LOUISIANA
GOVERNMENTAL FUNDS - BALANCE SHEET
DECEMBER 31, 2018

	Major Fund Types				Total
	General	Sales Tax Fund	Debt Reserve Fund	Capital Projects Fund	
ASSETS					
Cash, unrestricted	\$ 917,388	\$ -	\$ -	\$ 801,717	\$ 1,719,105
Cash, restricted	-	-	247,000	-	247,000
Receivables	286,022	204,109	-	-	490,131
Due from other funds	917,480	-	-	-	917,480
Prepaid insurance	176,246	-	-	746	176,992
Total assets	<u>\$ 2,297,136</u>	<u>\$ 204,109</u>	<u>\$ 247,000</u>	<u>\$ 802,463</u>	<u>\$ 3,550,708</u>
LIABILITIES					
Accounts payable	\$ 253,338	\$ 15,685	\$ -	\$ 19,042	\$ 288,065
Accrued salaries	145,652	-	-	-	145,652
Due to other funds	-	188,424	-	113,840	302,264
Total liabilities	<u>398,990</u>	<u>204,109</u>	<u>-</u>	<u>132,882</u>	<u>735,981</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	1,743,204	-	-	-	1,743,204
Unavailable revenue	50,950	-	-	-	50,950
Total deferred inflows of resources	<u>1,794,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,794,154</u>
FUND BALANCES (DEFICIT)					
Nonspendable	176,246	-	-	-	176,246
Committed	-	-	-	669,581	669,581
Restricted for debt service	-	-	247,000	-	247,000
Unassigned	(72,254)	-	-	-	(72,254)
Total fund balances	<u>103,992</u>	<u>-</u>	<u>247,000</u>	<u>669,581</u>	<u>1,020,573</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,297,136</u>	<u>\$ 204,109</u>	<u>\$ 247,000</u>	<u>\$ 802,463</u>	<u>\$ 3,550,708</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, 2018

Total fund balances – governmental funds		\$ 1,020,573
<p>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.</p>		
Capital assets	\$ 7,613,614	
Accumulated depreciation	<u>(5,388,730)</u>	2,224,884
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 need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year.		15,270
Accrual basis recognition of interest expenditures		(1,977)
Deferred outflows of resources on bond refunding		6,838
Net pension liability balances in accordance with GASB 68:		
Deferred outflow of resources - related to net pension liability	1,188,137	
Net pension liability	(3,408,330)	
Deferred inflow of resources - related to net pension liability	<u>(405,574)</u>	(2,625,767)
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, 2018 are:		
Bonds payable	(1,157,000)	
Compensated absences	<u>(587,155)</u>	<u>(1,744,155)</u>
Net position (deficit) – governmental activities		<u>\$ (1,104,334)</u>
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, 2018

	Major Fund Types				Total
	General	Sales Tax Fund	Debt Service Fund	Capital Projects Fund	
<u>REVENUES</u>					
Taxes					
Ad valorem	\$ 1,186,539	\$ -	\$ -	\$ -	\$ 1,186,539
Sales and use	-	2,324,023	-	-	2,324,023
Intergovernmental	185,132	-	-	86,176	271,308
FEMA revenue	24,980	-	-	-	24,980
Franchise fees	451,364	-	-	-	451,364
Licenses and permits	691,319	-	-	-	691,319
Fines and forfeitures	74,409	-	-	-	74,409
Charges for services	614,257	-	-	-	614,257
Gaming revenue	306,391	-	-	-	306,391
Interest income	25,690	860	-	-	26,550
Other	123,009	-	-	10,335	133,344
Total revenues	<u>3,683,090</u>	<u>2,324,883</u>	<u>-</u>	<u>96,511</u>	<u>6,104,484</u>
<u>EXPENDITURES</u>					
General government	1,189,921	179,346	-	77,171	1,446,438
Public safety - police	2,051,651	-	-	12,666	2,064,317
Public safety - fire	1,001,229	-	-	9,441	1,010,670
Public works	291,731	-	-	14,534	306,265
Sanitation	668,979	-	-	-	668,979
Recreation	315,542	-	-	1,937	317,479
Debt service					
Principal	218,000	-	-	-	218,000
Interest and fiscal charges	25,924	-	-	-	25,924
Capital outlay	-	-	-	570,380	570,380
Total expenditures	<u>5,762,977</u>	<u>179,346</u>	<u>-</u>	<u>686,129</u>	<u>6,628,452</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>					
	<u>(2,079,887)</u>	<u>2,145,537</u>	<u>-</u>	<u>(589,618)</u>	<u>(523,968)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in	2,345,857	-	247,000	306,391	2,899,248
Operating transfers out	<u>(553,391)</u>	<u>(2,145,537)</u>	<u>-</u>	<u>-</u>	<u>(2,698,928)</u>
Total other financing sources (uses)	<u>1,792,466</u>	<u>(2,145,537)</u>	<u>247,000</u>	<u>306,391</u>	<u>200,320</u>
<u>CHANGE IN FUND BALANCE</u>					
	<u>(287,421)</u>	<u>-</u>	<u>247,000</u>	<u>(283,227)</u>	<u>(323,648)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>					
	<u>391,413</u>	<u>-</u>	<u>-</u>	<u>952,808</u>	<u>1,344,221</u>
<u>FUND BALANCE - END OF YEAR</u>					
	<u>\$ 103,992</u>	<u>\$ -</u>	<u>\$ 247,000</u>	<u>\$ 669,581</u>	<u>\$ 1,020,573</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, 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, 2018

Total changes in fund balances – governmental funds \$ (323,648)

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	\$ 570,380	
Loss on asset disposition	(4,396)	
Depreciation expense	<u>(274,513)</u>	291,471

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 and refunding of bonds payables and capital leases. Bond discount is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense. 218,000

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. (30,028)

Change in accrual basis recognition of interest expenditures
Current year additional interest accrual (1,251)

Change in net pension liability and deferred inflows and outflows in accordance with GASB 68 (298,391)

Contributions made to the retirement plans by other governments 104,245

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). (2,470)

Change in net position of governmental activities \$ (42,072)

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Accounts receivable	\$ 118,314
Prepaid expenses	3,184
Total current assets	121,498

NON-CURRENT ASSETS

Cash, restricted	619,150
Capital assets, net	5,844,865
Total non-current assets	6,464,015

Total assets	\$ 6,585,513
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts and other payables	\$ 890,524
Note payable, current portion	130,000
Due to other funds	615,216
Total current liabilities	1,635,740

NON CURRENT LIABILITY

Note payable	2,264,329
Total liabilities	3,900,069

DEFERRED INFLOWS OF RESOURCES

Unearned revenue	289,544
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NET POSITION

Net investment in capital assets	3,450,536
Restricted for debt service	451,713
Restricted for repairs and maintenance by debt agreement	179,886
Unrestricted (deficit)	(1,686,235)
Total net position	2,395,900

Total liabilities, deferred inflows of resources, and net position	\$ 6,585,513
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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, 2018

OPERATING REVENUES

Charges for service	\$ 1,157,867
Total operating revenues	<u>1,157,867</u>

OPERATING EXPENSES

Contractual services	403,089
Supplies, maintenance and repairs	739,923
Depreciation	122,916
Miscellaneous	86,745
Total operating expenses	<u>1,352,673</u>

Operating loss	<u>(194,806)</u>
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NON-OPERATING REVENUES (EXPENSES)

Property tax revenue	76,761
Other income	6,622
Interest income	2,311
Interest expense	(6,574)
Transfer to other funds	(200,320)
Total non-operating revenues (expenses)	<u>(121,200)</u>

<u>CHANGE IN NET POSITION</u>	(316,006)
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<u>NET POSITION - BEGINNING OF YEAR</u>	3,050,354
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<u>RESTATEMENT (NOTE 11)</u>	(338,448)
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<u>NET POSITION - BEGINNING OF YEAR, AS RESTATED</u>	<u>2,711,906</u>
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<u>NET POSITION - END OF YEAR</u>	<u>\$ 2,395,900</u>
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See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,117,105
Cash paid to suppliers for goods or services	(1,801,454)
Net cash used for operating activities	<u>(684,349)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes received	304,555
Transfer from general fund (claim on cash)	369,242
Net cash provided by noncapital financing activities	<u>673,797</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and construction of capital assets	(894,043)
Proceeds from note payable	1,194,394
Payments on note payable	(186,000)
Other receipts	6,622
Interest paid	(6,574)
Net cash provided by capital and related financing activities	<u>114,399</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	2,311
Net cash provided by financing activities	<u>2,311</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

106,158

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

512,992

CASH AND CASH EQUIVALENTS - END OF YEAR\$ 619,150**RECONCILIATION OF OPERATING INCOME TO NET CASH
USED IN OPERATING ACTIVITIES:**

Operating loss	\$ (194,806)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	122,916
Changes in operating assets and liabilities:	
Accounts receivable	(40,762)
Prepaid expenses	55
Accounts payable	(571,752)
Net cash used in operating activities	<u>\$ (684,349)</u>

See accompanying notes to financial statements.

CITY OF HARAHAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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 susceptible to 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 HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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. It 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.

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.

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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies (continued)

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, 2018, 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.

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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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 unearned revenue from property taxes and unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned, or the amounts become available. 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 charge on 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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 Equity

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 HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies (continued)

Fund Equity (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 HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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, 2018

(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 2018 budget for the general fund on January 25, 2018 and the sewer fund and sales tax fund on January 25, 2018. The budgets for the 2019 year were not adopted before December 31, 2017.

(3) Cash

At December 31, 2018, the City had \$2,585,255 of on demand deposits. The bank balances and collateralization for deposits at December 31, 2018 are as follows:

Total bank balances	<u>\$ 3,113,830</u>
Federal depository insurance	\$ 250,000
Pledged securities	<u>4,388,373</u>
Total collateral	<u>\$ 4,638,373</u>
Collateral – Surplus	<u>\$ 1,524,543</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, 2018, because of the collateral surplus.

Of the total cash shown above, \$917,388 is unrestricted for governmental activities and includes \$111,896 of asset forfeiture funds. \$801,717 is restricted by nature of fund for capital improvements. Restricted cash for governmental activities consists of \$247,000 restricted for debt service on the outstanding bonds. Restricted cash of \$619,150 for business type activities is restricted under the terms of the DEQ loan agreement. At December 31, 2018, the business type activities (sewer fund) report no unrestricted cash.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(4) Property Taxes

The City levies an ad valorem tax on real property as of January 1, 2018. 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, 2018). The tax is delinquent 30 days after its due date (January 1, 2019). 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 2018 levies were based, was \$91,156,891.

Ad valorem taxes are recorded as revenue of the period for which levied, thus the 2017 property tax, which was levied to finance the budget for 2018, was recorded as ad valorem tax revenue for the year ended December 31, 2018. The 2018 property tax which was levied to finance the 2019 year, is included as deferred inflows of resources – unearned revenue at December 31, 2018 and will be recognized as property tax revenue during the year ended December 31, 2019.

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

	<u>2018 budget</u>	<u>2019 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	\$5.000	\$5.000	2025
Police salary and benefits	\$0.000	\$5.000	2027
Sewer operations and maintenance	\$0.880	\$0.880	n/a
Sewer operations and maintenance	\$0.000	\$3.000	2027

On October 14, 2017, the voters of the City approved a 3-mil ad valorem property tax for a ten-year period ending December 31, 2028. The proceeds of the tax are for the purpose of constructing, operating and maintaining the sewer fund.

On May 17, 2018, the voters of the City approved a 5-mil ad valorem property tax for a twenty-year period ending December 31, 2038. The proceeds of the tax are for the support of payroll and related benefits to support the City's police department.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(5) Accounts Receivable

Accounts receivable at December 31, 2018 consisted of the following:

Sales and use taxes	\$ 204,109
Franchise fees	123,138
Video poker	51,420
Sanitation services	28,095
Insurance proceeds	35,679
Other	47,690
Total governmental receivables	<u>490,131</u>
Sanitation services – proprietary fund	<u>118,314</u>
Total business-type receivables	<u>118,314</u>
Total government-wide receivables	<u>\$ 608,445</u>

(6) Property, Plant, and Equipment

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

	<u>January 1,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2018</u>
Land, land improvement, and buildings	\$ 2,833,644	\$ 22,687	9,035	\$ 2,847,296
Infrastructure assets	894,393	408,884	-	1,303,277
Transportation equipment	1,976,203	95,167	145,684	1,925,686
Other equipment	1,343,962	43,642	297,264	1,090,340
Furniture and fixtures	57,297	-	3,787	53,510
Computer equipment	422,305	-	28,800	393,505
Total asset cost	<u>7,527,804</u>	<u>570,380</u>	<u>484,570</u>	<u>7,613,614</u>
Less: Accumulated depreciation				
Land, land improvement, and buildings	2,070,608	59,163	8,599	2,121,172
Infrastructure assets	304,216	41,752	-	345,968
Transportation equipment	1,578,483	103,396	145,684	1,536,195
Other equipment	1,211,040	46,218	294,141	963,117
Furniture and fixtures	57,297	-	3,786	53,511
Computer equipment	372,747	23,984	27,964	368,767
Total accumulated depreciation	<u>5,594,391</u>	<u>274,513</u>	<u>480,174</u>	<u>5,388,730</u>
Net	<u>\$ 1,933,413</u>	<u>\$ 295,867</u>	<u>\$ 4,396</u>	<u>\$ 2,224,884</u>

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

	January 1, 2018	Additions	Deletions	December 31, 2018
Land	\$ 7,121	\$ -	\$ -	\$ 7,121
Rights of way	6,606	-	-	6,606
Sewerage collection system	4,069,255	-	-	4,069,255
Sewerage treatment plant	2,137,277	153,646	-	2,290,923
Vehicles	26,230	-	26,230	-
Construction in progress	1,882,922	1,409,101	215,866	3,076,157
Total asset cost	<u>8,129,411</u>	<u>1,562,747</u>	<u>242,096</u>	<u>9,450,062</u>
Less: Accumulated depreciation				
Sewerage collection system	(2,261,176)	(68,576)	(167)	(2,329,585)
Sewerage treatment plant	(1,221,337)	(54,340)	(65)	(1,275,612)
Vehicles	(26,230)	-	(26,230)	-
Total accumulated depreciation	<u>(3,508,743)</u>	<u>(122,916)</u>	<u>(26,462)</u>	<u>(3,605,197)</u>
Net	<u>\$ 4,620,668</u>	<u>\$ 1,439,831</u>	<u>\$ 215,634</u>	<u>\$ 5,844,865</u>

Construction in progress at December 31, 2018 in the proprietary fund represents repairs to the sewer system which is being financed by the Louisiana Department of Environmental Quality loan.

(7) Long-term Debt

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Currently, the City has no general obligation bonds outstanding for governmental business-type activities. Sales tax refunding and improvement bonds payable at December 31, 2018 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% \$ 1,157,000

The annual debt service to maturity on improvement bonds outstanding as of December 31, 2018 is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 222,000	\$ 21,443	\$ 243,443
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>\$ 1,157,000</u>	<u>\$ 60,260</u>	<u>\$ 1,217,260</u>

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(7) Long-term Debt (continued)

Bonds Payable (continued)

For the year ended December 31, 2018, interest expense of the general fund was \$25,924.

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, 2018 is \$9,115,689.

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 will be 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 \$2,394,329 at December 31, 2018.

The City is not in compliance with the debt covenants relating to the LDEQ loan as of December 31, 2018.

The annual debt service to maturity on LDEQ outstanding as of December 31, 2018 including interest and administrative fee payments of \$99,449 and \$110,501 respectively, are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative</u>	<u>Total</u>
	<u>Fee</u>			
2019	\$ 130,000	\$ 10,774	\$ 11,971	\$ 152,745
2020	132,000	10,189	11,321	153,510
2021	133,000	9,595	10,661	153,256
2022	134,000	8,997	9,997	152,994
2023	135,000	8,394	9,327	152,721
Thereafter	1,730,329	51,500	57,224	1,839,053
Total DEQ loan	\$ <u>2,394,329</u>	\$ <u>99,449</u>	\$ <u>110,501</u>	\$ <u>2,604,279</u>

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(7) Long-term Debt (continued)

A summary of changes in long-term debt are as follows for the year ended December 31, 2018:

	Governmental Activities			Business Type	Total
	Bonds Payable - Series 2016	Compensated Absences	Net Pension Liability	Activities Louisiana DEQ Loan	
January 1	\$ 1,375,000	\$ 584,685	\$ 2,641,092	\$ 1,385,935	\$ 5,986,712
Additions	-	154,978	767,238	1,194,394	2,116,610
Reductions	(218,000)	(152,508)	-	(186,000)	(556,508)
December 31	<u>\$ 1,157,000</u>	<u>\$ 587,155</u>	<u>\$ 3,408,330</u>	<u>\$ 2,394,329</u>	<u>\$ 7,546,814</u>
Due within one year	<u>\$ 222,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 352,000</u>

(8) Interfund Balances and Transfers

Interfund balances as of December 31, 2018 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental Funds		
General fund	\$ 917,480	\$ -
Sales tax fund	-	188,424
Capital projects fund	-	113,840
	<u>917,480</u>	<u>302,264</u>
Proprietary Funds		
Sewer fund	-	615,216
	<u>-</u>	<u>615,216</u>
Total	<u>\$ 917,480</u>	<u>\$ 917,480</u>

Interfund transfers for the year ended December 31, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General fund	\$ 2,345,857	\$ 553,391
Sales tax fund	-	2,145,537
Debt service fund	247,000	-
Capital projects fund	306,391	-
	<u>2,899,248</u>	<u>2,698,928</u>
Proprietary Funds		
Sewer fund	-	200,320
	<u>-</u>	<u>200,320</u>
Total	<u>\$ 2,899,248</u>	<u>\$ 2,899,248</u>

CITY OF HARAHAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(8) Interfund Balances and Transfers (continued)

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, 2018, the general fund transferred \$306,391 to the capital projects fund to provide annual support, the general fund transferred \$247,000 to fund the debt service reserve fund, the sales tax fund transferred \$2,145,537 to the general fund for operating purposes, and, the sewer fund transferred \$200,320 to the general fund to reimburse for services provided.

(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 (FRSL). 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.

Plan Description - FRS

The Firefighters' Retirement System (FRSL) 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.

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

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 of 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. 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Benefits Provided – FRS (continued)

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 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

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.

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, 2019 and 2018, the total actual employer and employee contribution rate was 42.25% and 40.75%. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 32.25% and 30.75%, 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 32.25% and 30.75%, respectively for the employer and 8.0% for the employee.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Contributions – MPERS (continued)

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 34.25% and 33.25%, 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 \$225,800 for the year ended December 31, 2018.

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, 2019 and 2018, the actuarially determined contribution rates were 28.32% and 28.67%, respectively, of member's compensation. However, for the years ending/ended June 30, 2019 and 2018, employer contributions were 26.5% 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 \$125,245 for the year ended December 31, 2018.

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. Non-employer contributions are recognized as revenue during the year ended December 31, 2018 and were excluded from pension expense.

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

At December 31, 2018, the City reported a combined liability of \$3,408,330 for its proportionate share of the Net Pension liabilities (NPL). The NPL for FRS and MPERS was measured as of June 30, 2018 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

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

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, 2018 and the change compared to the June 30, 2017 proportion.

	Net Pension Liability at June 30, 2018	Rate at June 30, 2018	Increase (Decrease) on June 30, 2018 Rate
Municipal Police Employees' Retirement System	\$ 2,274,785	0.269076%	0.076123%
Firefighters' Retirement System	1,133,545	0.197067%	0.030187%
	<u>\$ 3,408,330</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, 2018.

	Pension Expense
Municipal Police Employees' Retirement System	\$ 456,293
Firefighters' Retirement System	193,143
	<u>\$ 649,436</u>

At December 31, 2018, 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	\$ 10,255	\$ (116,246)
Changes of assumptions	148,656	-
Net difference between projected and actual earnings on pension plan investments	109,048	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Change in proportion	449,676	(103,286)
Difference in contributions	80	(19,620)
Employer contributions subsequent to the measurement date	113,607	-
Total	<u>\$ 831,322</u>	<u>\$ (239,152)</u>

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

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

<u>FRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (86,275)
Changes of assumptions	79,076	(180)
Net difference between projected and actual earnings on pension plan investments	73,709	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		
Change in proportion	137,654	(79,811)
Difference in contributions	3,745	(156)
Employer contributions subsequent to the measurement date	<u>62,631</u>	<u>-</u>
Total	<u>\$ 356,815</u>	<u>\$ (166,422)</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Municipal Police Employees' Retirement System	\$ 831,322	\$ (239,152)
Firefighters' Retirement System	<u>356,815</u>	<u>(166,422)</u>
	<u>\$ 1,188,137</u>	<u>\$ (405,574)</u>

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.

	<u>Subsequent Contributions</u>
Municipal Police Employees' Retirement System	\$ 113,607
Firefighters' Retirement System	<u>62,631</u>
	<u>\$ 176,238</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:

<u>Year</u>	<u>MPERS</u>	<u>FRSL</u>	<u>Total</u>
2019	\$ 229,690	\$ 63,053	\$ 292,743
2020	166,095	19,937	186,032
2021	78,816	(23,178)	55,638
2022	3,962	20,745	24,707
2023	-	23,718	23,718
2024	-	23,487	23,487
	<u>\$ 478,563</u>	<u>\$ 127,762</u>	<u>\$ 606,325</u>

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

Actuarial Assumptions

	<u>MPERS</u>	<u>FRSL</u>								
Valuation Date	June 30, 2018	June 30, 2018								
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	7.200% net of investment expenses	7.30% net of fees.								
Inflation Rate	2.600%	2.700% 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 border="0"> <thead> <tr> <th align="center"><u>Years of Service</u></th> <th align="center"><u>Salary Growth Rate</u></th> </tr> </thead> <tbody> <tr> <td align="center">1 - 2</td> <td align="center">9.75%</td> </tr> <tr> <td align="center">3 - 23</td> <td align="center">4.75%</td> </tr> <tr> <td align="center">24 & Over</td> <td align="center">4.25%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	1 - 2	9.75%	3 - 23	4.75%	24 & Over	4.25%	Vary from 15.0% in the first two years of service to 4.75% after 25 years; includes inflation and merit increases
<u>Years of Service</u>	<u>Salary Growth Rate</u>									
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 purposes 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, 2018

(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.

MPERS	FRSL
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 8.03% for the year ended June 30, 2018.	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 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. The long term expected nominal rate of return was 8.09% as of June 30, 2018. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2018.

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, 2018 are summarized in the following table.

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	MPERS	FRSL	MPERS	FRSL
Fixed Income	22.00%	26.00%	0.52%	0.46%
Equity	52.00%	54.00%	3.66%	3.67%
Alternatives	20.00%	10.00%	1.10%	0.61%
Other	6.00%	10.00%	0.16%	0.46%
Total	<u>100.00%</u>	<u>100.00%</u>	5.44%	5.20%
Inflation			<u>2.75%</u>	<u>2.75%</u>
Expected Arithmetic Nominal Return			<u>8.19%</u>	<u>7.95%</u>

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

(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 FRSL was 7.20% and 7.30% for the year ended June 30, 2018.

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.

	1.0% Decrease	Current Discount Rate	1.0% Increase
<u>MPERS</u>			
Discount rates	6.20%	7.20%	8.20%
City's proportionate share of NPL	\$ 3,196,703	\$ 2,274,785	\$ 1,501,332
 <u>FRSL</u>			
Discount rates	6.30%	7.30%	8.30%
City's proportionate share of NPL	\$ 1,654,110	\$ 1,133,545	\$ 696,091

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 HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(9) Pension Plans (continued)

Support of Non-Employer Contributing Entities (continued)

During the year ended December 31, 2018, 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	\$ 53,098
Firefighters' Retirement System	51,147
	\$ 104,245

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, 2018 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, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
MPERS	\$ 48,239	\$ 32,763
FRSL	13,190	19,124
	\$ 61,429	\$ 51,887

(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, 2018, 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 HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(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, 2018.

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, 2018 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 Board.

(11) Prior Period Adjustment

The City identified adjustments to repairs and maintenance expenses that should have been recorded as accounts payable to correct an error which affected prior year financial statements. The impact on the net position of the City as of December 31, 2017 is as follows:

Government-wide (Business-type activities) / Proprietary Fund

Net position as previously reported, December 31, 2017	\$ 3,050,354
Accounts payable adjustments	(338,448)
Net position, as restated, December 31, 2017	<u>\$ 2,711,906</u>

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(12) Subsequent Events

The City has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2019, and determined that the following items require disclosure.

On May 8, 2019, the Jefferson Parish Council approved a resolution for an intergovernmental agreement with the City for the benefit of its Fire Department for \$300,000 to be used towards the cost to purchase a new fire truck. On May 22, 2019, the Jefferson Parish Council approved a resolution for an intergovernmental agreement with the City for \$250,000 to be used for street improvements.

In January 2019, the City's police department increased compensation and payroll related expenses for police department employees by approximately \$400,000 using the funds received from the new 5 mill ad valorem tax approved by the voters on May 17, 2018.

CITY OF HARAHAN, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>				
Ad valorem taxes	\$ 1,123,600	\$ 1,123,600	\$ 1,186,539	\$ 62,939
Intergovernmental	217,800	217,800	185,132	(32,668)
FEMA revenue	-	-	24,980	24,980
Franchise fees	431,220	431,220	451,364	20,144
Fees, licenses and permits	686,000	686,000	691,319	5,319
Fines and forfeitures	229,600	229,600	74,409	(155,191)
Charges for services	630,950	630,950	614,257	(16,693)
Gaming revenue	300,000	300,000	306,391	6,391
Interest income	10,000	10,000	25,690	15,690
Other	141,740	141,740	123,009	(18,731)
Total revenues	<u>3,770,910</u>	<u>3,770,910</u>	<u>3,683,090</u>	<u>(87,820)</u>
<u>EXPENDITURES</u>				
General government - other	1,246,322	1,246,322	1,189,921	56,401
Public safety - police	2,130,430	2,130,430	2,051,651	78,779
Public safety - fire	972,630	972,630	1,001,229	(28,599)
Public works	285,470	285,470	291,731	(6,261)
Sanitation	638,500	638,500	668,979	(30,479)
Recreation	361,130	361,130	315,542	45,588
Debt service - principal	-	-	218,000	(218,000)
Debt service - interest	-	-	25,924	(25,924)
Total expenditures	<u>5,634,482</u>	<u>5,634,482</u>	<u>5,762,977</u>	<u>(128,495)</u>
<u>DEFICIENCY OF REVENUES OVER EXPENDITURES</u>				
	<u>(1,863,572)</u>	<u>(1,863,572)</u>	<u>(2,079,887)</u>	<u>(216,315)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	2,165,420	2,165,420	2,345,857	180,437
Operating transfers out	(300,000)	(300,000)	(553,391)	(253,391)
Total other financing sources	<u>1,865,420</u>	<u>1,865,420</u>	<u>1,792,466</u>	<u>(72,954)</u>
<u>CHANGE IN FUND BALANCE</u>	1,848	1,848	(287,421)	(289,269)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>391,413</u>	<u>391,413</u>	<u>391,413</u>	<u>-</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$ 393,261</u>	<u>\$ 393,261</u>	<u>\$ 103,992</u>	<u>\$ (289,269)</u>

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>				
Sales and use tax revenue	\$ 2,139,280	\$ 2,139,280	\$ 2,324,023	\$ 184,743
Interest income	1,570	1,570	860	(710)
Total revenues	<u>2,140,850</u>	<u>2,140,850</u>	<u>2,324,883</u>	<u>184,033</u>
<u>EXPENDITURES</u>				
General Government	176,830	176,830	179,346	2,516
Total expenditures	<u>176,830</u>	<u>176,830</u>	<u>179,346</u>	<u>2,516</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>1,964,020</u>	<u>1,964,020</u>	<u>2,145,537</u>	<u>181,517</u>
<u>OTHER FINANCING USES</u>				
Operating transfers in	-	-	-	-
Operating transfers out	(1,966,020)	(1,966,020)	(2,145,537)	(179,517)
Total other financing sources (uses)	<u>(1,966,020)</u>	<u>(1,966,020)</u>	<u>(2,145,537)</u>	<u>(179,517)</u>
<u>CHANGE IN FUND BALANCE</u>	(2,000)	(2,000)	-	2,000
<u>FUND BALANCE - BEGINNING OF YEAR</u>	-	-	-	-
<u>FUND BALANCE - END OF YEAR</u>	<u>\$ (2,000)</u>	<u>\$ (2,000)</u>	<u>\$ -</u>	<u>\$ 2,000</u>

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018 (*)

Year ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
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Municipal Police Employees' Retirement System

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%
2014	0.2053%	1,284,092	544,511	235.8248%	75.1014%

Firefighters Retirement System

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%
2014	0.1898%	844,736	425,750	198.4113%	76.0151%

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)

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2018

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>					
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%
2014	161,856	161,856	-	514,121	31.48%
<u>Firefighters Retirement System</u>					
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%
2014	114,234	114,234	-	397,755	28.72%

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

See accompanying independent auditors' report.

CITY OF HARAHAN, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO CITY COUNCIL MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2018

Timothy Baudier	\$	11,400
Susan Benton		11,400
Craig Johnson		11,400
Carrie Wheeler		11,400
Dana Huete		11,400
	<u>\$</u>	<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, 2018

Agency Head: Tina Miceli, Mayor

Gross salary	\$	59,000
Car allowance		4,200
Benefits - insurance		9,926
Benefits - life		138
	\$	<u>73,264</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, 2018, 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, 2019.

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. We did identify a certain item deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-005, that we consider to be a significant deficiency.

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 are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, and 2018-004.

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, 2019

CITY OF HARAHAN, LOUISIANA
Harahan, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2018

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

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

Criteria: Louisiana Revised Statute 39:1311 requires governments to amend their budgets when revenues are falling short of the budget and when expenditures are exceeding the budget by more than 5%.

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%.

Cause: The City did not adopt an amended 2018 budget for the General Fund and Sales Tax Fund.

Effect: The City is not in compliance with LA Revised Statute 39:1311 for the year ended December 31, 2018.

Recommendation: The City should ensure budget amendments are adopted during the year whenever actual expenditures and other uses exceed budgeted expenditures and other uses by more than 5%.

Management's response: The City concurs with the non-compliance relating to the budget amendments. As needed for compliance with the 5% requirement, the Mayor will present budget amendments to the Council for approval.

2018-002 DOJ Asset Forfeiture Fund Compliance

Criteria: The City must comply with the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (the "Guide").

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.

Cause: The City did not submit signed written policies and procedures to the DOJ. The City did not submit an ESAC form for the year ended December 31, 2017.

Effect: The City's Police Department was not in compliance with the Guide.

CITY OF HARAHAH, LOUISIANA
Harahan, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2018

Recommendation: The City's Police Department should implement written policies and procedures and related internal accounting controls to account for equitably shared monies and tangible property. The City should file the annual ESAC form in accordance with the requirements of the US Department of Justice.

Management's response: The City concurs with the non-compliance relating to the DOJ Asset forfeiture account. The City filed the ESAC form for the year ended December 31, 2017 on April 26, 2019. The City also acknowledges that the ESAC form for the year ended December 31, 2018 was not filed timely and was filed on May 10, 2019. In 2019, the City communicated with the US Department of Justice on a regular basis to resolve the items of non-compliance. As of May 2019, the City is in compliance with the requirements for DOJ Asset forfeiture funds.

2018-003 Non-compliance with Public Bid Law

Criteria: Per Louisiana Statute R.S. 38.2212.1, purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three quotes by telephone, facsimile, email, or any other printable electronic form. If telephone quotes are received, a written confirmation of the accepted offers shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file.

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

Cause: The City does not have adequate policies, procedures, and controls in place over the public bid law for items below \$30,000.

Effect: The City did not comply with the Louisiana Revised Statute R.S. 38.2211.

Recommendation: The City should adhere to Louisiana Public Bid Law and should follow the City's written policies.

Management's response: The City concurs with the non-compliance relating to the public bid law related to an item purchased below \$30,000. The City believes the vehicle and related specifications were unique and had very limited availability.

CITY OF HARAHAH, LOUISIANA
Harahan, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2018

2018-004 Debt Covenants

- Criteria:* Per the Louisiana Department of Environmental Quality (LDEQ) loan, the City is required to provide revenues in each year at least equal to 110% of the largest amount of principal and interest maturing on the bonds in any future bond year.
- Condition:* The City's debt service coverage ratio was (37%) as of December 31, 2018.
- Cause:* The City did not provide revenues in 2018 at least equal to 110% of the largest amount of principal and interest maturing on the bonds in any future bond year.
- Effect:* The City was not in compliance with the debt covenant for the LDEQ loan.
- Recommendation:* The City should provide revenues in each year at least equal to 110% of the largest amount of principal and interest maturing on the bonds in any future bond year.

Management's response: The City concurs with the non-compliance relating to the debt covenants. The City did consult with legal counsel throughout 2017 and 2018 to ensure compliance with the DEQ requirements. The non-compliance was primarily a result of the revenue from the new 3 mil property tax assessment for the sewer fund being recorded as deferred revenue at December 31, 2018 in accordance with U.S. generally accepted accounting principles. The property tax revenue collected in November and December 2018 will be recognized as revenue during the year ended December 31, 2019.

CITY OF HARAHAH, LOUISIANA
Harahan, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2018

2018-005 Lost Court Revenue Due to Inappropriate Staffing

- Criteria:* The City's Court collects court fines.
- 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.
- Cause:* Turnover in Court staffing resulted in the unavailability of properly trained Court staff.
- Effect:* The City Court was unable to properly process tickets, resulting in lost revenues to the City.
- Recommendation:* The City should staff the Court appropriately in order to allow for Court fines to be collected by the City. The City should provide back-up procedures or cross training of City personnel so that more than one City employee has knowledge to process tickets.

Management's response: The City considers the finding resolved as of July 1, 2018 when the City of Harahan court resumed the processing of tickets.

CITY OF HARRAHAN, LOUISIANA
Harahan, Louisiana

Summary Schedule of Prior Audit Findings

Year ended December 31, 2018

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

2017-001 Failure to Amend Budget (originated in 2011)

Condition: For the year ended December 31, 2017, the actual expenditures of the Sales Tax Fund of \$176,969 exceeded the budgeted expenditures of \$0, resulting in an unfavorable variance that exceeded 5%.

Status: Not resolved – see current year finding 2018-001.

2017-002 Internal Control Over Financial Reporting (originated in 2014)

Condition: The City should have systems of internal accounting control which ensure the basic financial statements are presented in accordance with U.S. generally accepted accounting principles and *Governmental Accounting Standards*.

Status: Resolved.

2017-003 Budget Act (originated in 2011)

Condition: The City adopted the December 31, 2017 budget for the General Fund, the Sales Tax Fund, the Capital Projects Fund, and the Sewer Funds on February 16, 2017. These budgets for the year ended December 31, 2017 were not adopted before December 31, 2016.

Status: Resolved.

2017-004 Segregation of Duties (originated in 2016)

Condition: There is no one employed by the City that can review financial statements or the work of the contract CPA. Also, the City's Clerk of Court can accept fees and also has access to the system to record transactions.

Status: Resolved.

2017-005 Report Issued by Louisiana Legislative Auditor (originated in 2015)

Condition: The Louisiana Legislative Auditor Investigative Audit team performed procedures over the operations of the City and issued a report on September 9, 2015. Remaining unresolved items include improper compensation to City Council Members and non-compliance with the Local Government Budget Act.

Status: Partially resolved. See current year finding related to the Local Government Budget Act at 2018-001.

CITY OF HARAHAN, LOUISIANA
Harahan, Louisiana

Summary Schedule of Prior Audit Findings

Year ended December 31, 2018

2017-006 DOJ Asset Forfeiture Fund Compliance

Condition: The City's Police Department does not have appropriate internal controls as it relates to the management and maintenance of the Department of Justice's ("DOJ") Equitable Sharing Program funds. Additionally, the City's Police Department had direct access to Program funds and failed to follow Public Bid Law (Louisiana Statute R.S. 38.2211) in the process of purchasing two (2) vehicles with Program funds.

Status: Not resolved – see current year finding 2018-002.

2017-007 Non-compliance with Public Bid Law

Condition: The City's Police Department purchased ten (10) police vehicles using three purchase orders totaling \$264,795 and did not publish an advertisement for bids.

Status: Not resolved – see current year finding 2018-003.

2017-008 Debt Covenants

Condition: The City issued Sales Tax Refunding Bonds in 2016 and closed the existing debt sinking fund associated with the refunded bonds. The 2016 Refunding Bonds also required a sinking fund to be maintained.

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, 2018, 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, 2019.

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, 2019

CITY OF HARAHAH

MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Recommendation: We recommend that the City implement a process of including documented approved pay rates in all employee personnel files. In addition, we recommend that all employees in all departments (including Civil, Court, Fire, Police, and Regulation) sign their time card and the department head documents his/her approval on the time card.

Management Response: The City concurs with the recommendation. All rates will be reviewed for appropriate approval and a new policy established to document approval of rates by December 31, 2019.

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.

Recommendation: We recommend that the City maintain the schedule of compensated absences throughout the year and reconcile the changes in the compensated absences schedule to the payroll records. The schedule should be prepared by the payroll department and reviewed by each respective department head. The review by the department heads should be documented.

Management Response: The City concurs with the recommendation. A schedule will be developed and procedures established to maintain the schedule by December 31, 2019.

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.

Recommendation: We recommend that the City implement a process of performing adequate reviews on invoices prior to processing payments to ensure the City is not paying for the same services multiple times.

Management Response: The City concurs with the recommendation. We consider the matter isolated; however, we will provide additional training to involved personnel related to the review process by December 31, 2019.

CITY OF HARAHAH

MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Recommendation: We recommend that the City establish a policy in which all users and their access rights are reviewed by management periodically. The review should be performed at the application, database, and network level and evidence of the review should be maintained. Also, 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. We will work with IT personnel to develop a policy and procedures that will be in place by 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 below, 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, 2018 through December 31, 2018. The City 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 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.

The procedures and associated findings are as follows:

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*

- 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.*

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 one monthly council meeting.
- 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 no negative ending unrestricted fund balance in the General Fund.

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);

We performed the procedures above and noted no exceptions.

- 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

We performed the procedures above and noted no exceptions.

- 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.

We performed the procedures above and noted no exceptions.

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.

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 Lawrson Act as the City's tax collector. No other employees are bonded.

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 one deposit tested, the deposit was 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).

We performed the procedures above and noted no exceptions.

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.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions

- 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.

We performed the procedures above and noted no exceptions.

- 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.

We performed the procedures above and noted no exceptions.

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.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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.

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:

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

- 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).

Not applicable. The items selected for testing were not reimbursement using per diem.

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

We performed the procedures above and noted no exceptions.

- 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).

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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.

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.

We performed the procedures above and noted no exceptions.

- 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.).

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

Not applicable. No leave taken during the pay period selected for testing.

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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

We performed the procedures above and noted no exceptions.

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.

We performed the procedures above and noted no exceptions.

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 no exceptions.

- 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:

- *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.

Not applicable, no misappropriation of public funds and assets noted during the fiscal period.

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.gov/hotline) concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted no exceptions.

Management's Response

Management has reviewed the above items and will address all exceptions by adding in policies/procedures and/or implementing other actions by December 31, 2019.

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, 2019