
CITY OF HARRAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

CITY OF HARRAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

CITY OF HARRAHAN, LOUISIANA

TABLE OF CONTENTS

DECEMBER 31, 2020

	<u>Statement/ Schedule</u>	<u>Page</u>
I. <u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1 - 3
Government Financial Statements:		
Required Supplementary Information- Management's Discussion and Analysis		4 - 13
Basic Financial Statements:		
Government –Wide Financial Statements		
Statement of Net Position	A	14
Statement of Activities	B	15
Fund Financial Statements:		
Governmental Funds		
Balance Sheet	C	16
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position	D	17
Statement of Revenues, Expenditures, and Changes In Fund Balances	E	18
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	19
Proprietary Fund:		
Statement of Net Position	G	20
Statement of Revenues, Expenses, and Changes in Net Position	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23 - 52
II. <u>SUPPLEMENTAL INFORMATION SCHEDULES</u>		
Required Supplementary Information:		
Budgetary Comparison Schedules		
General Fund	1	53
Sales Tax Fund	2	54
Schedule of Proportionate Share of the Net Pension Liability	3	55
Schedule of Contributions to Defined Benefit Pension Plans	4	56
Supplementary Information:		
Schedule of Compensation Paid to City Council Members	5	57
Schedule of Compensation, Benefits, and Other Payments to Agency Head	6	58
Justice System Funding Schedule – Collecting/Disbursing Entity	7	59

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of employer contributions to the defined benefit plans on pages 4 to 13 and 53 to 56 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, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting / Disbursing Entity on pages 57 to 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation Paid to City Council Members, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting / Disbursing Entity 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 30, 2021, 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 30, 2021

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

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, 2020. 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 \$3,108,261 (*net position*).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,844,096, an increase of \$399,642 from the December 31, 2019 balance of \$1,444,454.
- At December 31, 2020, fund balance for the General fund is \$639,565, which includes nonspendable fund balance of \$53,177, restricted for police compensation fund balance of \$94,532 and an unassigned surplus fund balance of \$491,856. This represents a \$422,971 increase from the December 31, 2019 balance of \$216,594. The unassigned surplus fund balance in the general fund of \$491,856 represents an increase in unassigned fund balance of \$436,412.
- Current liabilities – unearned revenue in the general fund and capital projects fund decreased from \$878,436 to \$713,499, a decrease of \$164,937 at December 31, 2020 due to funds received from Jefferson Parish and the U.S. Department of Justice.
- Deferred inflows of resources – unavailable revenue in the general fund increased from \$1,514,149 to \$1,657,629, an increase of \$143,480 at December 31, 2020.
- Deferred inflows of resources – unavailable revenue in the proprietary fund (sewer fund) increased from \$270,699 to \$291,803, an increase of \$21,104 at December 31, 2020.
- The City identified adjustments to salary payable at December 31, 2019 to decrease net position by \$114,125 in the General Fund. See note 15. The City identified adjustment to accounts payable at December 31, 2019 to increase net position by \$135,385. See note 15.

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, 2020

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

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

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

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Fund Financial Statements (continued)

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. At December 31, 2020, the City has no fiduciary funds.

Notes to basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 23-52 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 53-56.

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 \$3,108,261 at December 31, 2020.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Government-Wide Financial Analysis (continued)

The following table reflects the condensed Statement of Net Position as of December 31, 2020:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and other assets	\$ 3,858,110	\$ 3,333,068	\$ 270,065	\$ 134,964	\$ 4,128,175	\$ 3,468,032
Restricted assets	485,496	642,773	414,674	624,479	900,170	1,267,252
Capital assets	2,587,369	2,257,237	5,897,651	5,660,427	8,485,020	7,917,664
Other	470,767	256,520	(470,767)	(256,520)	-	-
Total assets	<u>7,401,742</u>	<u>6,489,598</u>	<u>6,111,623</u>	<u>6,163,350</u>	<u>13,513,365</u>	<u>12,652,948</u>
Deferred outflows of resources:						
Bond refunding	3,921	5,178	-	-	3,921	5,178
Deferred amounts - net pension liability	1,587,452	1,077,262	-	-	1,587,452	1,077,262
Total deferred outflows	<u>1,591,373</u>	<u>1,082,440</u>	<u>-</u>	<u>-</u>	<u>1,591,373</u>	<u>1,082,440</u>
Liabilities:						
Current liabilities	1,297,804	1,161,610	791,725	789,790	2,089,529	1,951,400
Long-term liabilities	5,383,380	4,871,494	2,147,679	2,280,679	7,531,059	7,152,173
Total liabilities	<u>6,681,184</u>	<u>6,033,104</u>	<u>2,939,404</u>	<u>3,070,469</u>	<u>9,620,588</u>	<u>9,103,573</u>
Deferred inflows of resources:						
Unearned revenue	1,657,629	1,514,149	291,803	270,699	1,949,432	1,784,848
Deferred amounts - net pension liability	426,457	467,616	-	-	426,457	467,616
Total deferred inflows	<u>2,084,086</u>	<u>1,981,765</u>	<u>291,803</u>	<u>270,699</u>	<u>2,375,889</u>	<u>2,252,464</u>
Net Position:						
Net investment in capital assets	2,587,369	2,257,237	3,749,972	3,379,748	6,337,341	5,636,985
Restricted for debt service	249,905	248,957	214,588	455,228	464,493	704,185
Restricted for repairs	-	-	200,086	169,251	200,086	169,251
Unrestricted	(2,609,429)	(3,063,150)	(1,284,230)	(1,182,045)	(3,893,659)	(4,245,195)
Net position (deficit)	<u>\$ 227,845</u>	<u>\$ (556,956)</u>	<u>\$ 2,880,416</u>	<u>\$ 2,822,182</u>	<u>\$ 3,108,261</u>	<u>\$ 2,265,226</u>

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Government-Wide Financial Analysis (continued)

By far, the largest portion of the City's net position of \$6,337,341 reflects its investment in capital assets (e.g. land, buildings, streets, machinery, vehicles, sewer system, and equipment); less any related debt used to acquire those assets that is still outstanding, and adding back any unspent bond proceeds. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$464,493 and \$200,086) 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 (\$3,893,659), which is a decrease in the deficit of \$351,536.

The following table provides a summary of the changes in net position for the year ended December 31, 2020:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenue:						
Charges for services	\$ 1,708,230	\$ 1,603,320	\$ 1,026,840	\$ 932,772	\$ 2,735,070	\$ 2,536,092
Operating grants and contributions	282,125	191,215	-	175,000	282,125	366,215
Capital grants and contributions	204,219	210,528	-	-	204,219	210,528
General revenue:						
Ad valorem (property) taxes	1,763,944	1,684,102	365,567	351,353	2,129,511	2,035,455
Sales and use taxes	2,310,594	2,535,592	-	-	2,310,594	2,535,592
Fines, forfeitures, and other	331,109	279,288	-	-	331,109	279,288
Gaming taxes	313,024	281,403	-	-	313,024	281,403
Interest income	23,027	41,406	2,624	5,478	25,651	46,884
CARES Act Funding	1,228,965	-	-	-	1,228,965	-
Transfer	-	-	-	-	-	-
Miscellaneous	188,217	396,214	(9,964)	(10,678)	178,253	385,536
Total revenues	<u>8,353,454</u>	<u>7,223,068</u>	<u>1,385,067</u>	<u>1,453,925</u>	<u>9,738,521</u>	<u>8,676,993</u>
Expenses:						
General government - other	1,722,434	1,591,168	-	-	1,722,434	1,591,168
Public safety - police	2,989,089	2,479,862	-	-	2,989,089	2,479,862
Public safety - fire	1,273,025	1,206,269	-	-	1,273,025	1,206,269
Public works	536,890	377,572	-	-	536,890	377,572
Sewer	-	-	1,326,833	1,027,643	1,326,833	1,027,643
Sanitation	652,523	652,149	-	-	652,523	652,149
Recreation	376,594	345,567	-	-	376,594	345,567
Interest and fiscal charges	18,098	23,103	-	-	18,098	23,103
Total expenses	<u>7,568,653</u>	<u>6,675,690</u>	<u>1,326,833</u>	<u>1,027,643</u>	<u>8,895,486</u>	<u>7,703,333</u>
Increase (decrease) in net position	<u>784,801</u>	<u>547,378</u>	<u>58,234</u>	<u>426,282</u>	<u>843,035</u>	<u>973,660</u>
Net position, January 1	<u>(556,956)</u>	<u>(1,104,334)</u>	<u>2,822,182</u>	<u>2,395,900</u>	<u>2,265,226</u>	<u>1,291,566</u>
Net position, December 31	<u>\$ 227,845</u>	<u>\$ (556,956)</u>	<u>\$ 2,880,416</u>	<u>\$ 2,822,182</u>	<u>\$ 3,108,261</u>	<u>\$ 2,265,226</u>

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Government-Wide Financial Analysis (continued)

Governmental activities increased the City’s net position by \$784,801 during the year ended December 31, 2020. Key elements of the increase are as follows:

- Ad valorem (property taxes) increased by \$79,842 due to increase in property values.
- Sales and use tax decreased by \$224,998 primarily due to lower tax collection in the months of February, March, and April which were impacted by COVID-19 lockdowns.
- Cares Act Funding increased by \$1,228,965 due to the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act funding provided by the federal government.
- Miscellaneous revenue decreased by \$209,997 due to decrease in LWCC dividend payment of \$75,461, one-time auction proceeds of \$24,470, and one-time funding of \$27,472.
- Police related expenses increased by \$509,227 due to an increase in labor and related benefits (\$350,549) and legal fees (\$53,266).

Business-type activities increased the City’s net position by \$58,234 during the year ended December 31, 2020. Key elements of the increase are as follows:

- Charges for services revenue increased by \$94,068 due to increase in usage.
- Grants from Jefferson Parish decreased by \$175,000, as this was a one-time funding in the 2019 year.
- Sewer operations and maintenance expenses increased by \$157,964 due to additional sewer and maintenance expenses.
- Miscellaneous expenses increased by \$148,375 primarily due to higher engineering costs (\$88,660) and legal expense (\$32,126).

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 \$1,844,096, an increase of \$399,642 in comparison with the prior year. This total consists of general fund, \$639,565; sales tax fund, \$0; debt service fund, \$249,905; and the capital projects fund, \$954,626. These fund balances are intended, and in some cases restricted, committed, or assigned, for specific purposes.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Governmental funds (continued)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was a surplus of \$491,856. 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 7.50% of the general fund’s final budgeted expenditures of \$6,560,787.

During the year ended December 31, 2020, the general fund balance increased by \$422,971 due primarily to the Cares Act Funding exceeding budget estimates.

The sales tax fund reported fund balance of \$0 at December 31, 2020. Sales tax receipts in the sales tax fund are transferred to the general fund for operations of the City. Sales tax revenue of \$2,310,594 decreased \$224,998 in comparison to the prior year.

The fund balance of the debt service fund increased from \$248,957 to \$249,905 due to interest income.

The fund balance of the capital projects fund decreased from \$978,903 to \$954,626 during the year ended December 31, 2020. The decrease of \$24,277 during 2020 represents an increase of 2.48% of total fund balance from the prior year. The decrease was primarily due to the capital outlay expenditures.

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 \$1,284,230, which is a decrease in the deficit of \$102,185 as compared to the prior year unrestricted net deficit of \$1,182,045.

General Fund Budgetary Highlights

The City approved the General fund budget during the year ended December 31, 2019. For the current fiscal year, the total revenue was greater than budgeted revenues by \$452,959 and the total expenditures were greater than budgeted expenditures by \$673,017.

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

- Gaming revenue of \$296,203 is greater than budgeted gaming revenue of \$182,648.
- Cares Act Funding of \$1,228,965 was greater than the budgeted amounts of \$925,000.
- Other revenue of \$291,547 was greater than the budgeted amount of \$230,256.
- General government – other costs of \$1,465,414 was greater than the budgeted amount of \$1,334,281.
- Public safety – police costs of \$2,705,421 were greater than the budgeted amount of \$2,325,079.
- Public works costs of \$485,011 were greater than the budgeted amount of \$369,422.
- Capital outlay costs of \$132,448 were greater than the budgeted amount of \$85,853.
- Transfers into the general fund of \$2,140,011 were greater than the budgeted amounts of \$1,989,855.
- Transfers out of the general fund of \$296,203 were greater than the budgeted amounts of \$182,648.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

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, 2020 amounts to \$8,485,020 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, transportation equipment, furniture and equipment, sewer system, and computer equipment.

**City of Harahan, Louisiana
Capital Assets (Net of Depreciation)
December 31, 2020**

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
Land, land improvement, and buildings	\$ 2,962,844	\$ 13,727	\$ 2,976,571
Infrastructure	1,670,997	-	1,670,997
Sewer treatment plant and system	-	9,365,660	9,365,660
Transportation equipment	2,093,759	-	2,093,759
Other equipment	1,307,481	-	1,307,481
Furniture and fixtures	53,511	-	53,511
Computer equipment	495,353	-	495,353
Construction in progress	-	486,897	486,897
	<u>8,583,945</u>	<u>9,866,284</u>	<u>18,450,229</u>
Less: Accumulated Depreciation	<u>(5,996,576)</u>	<u>(3,968,633)</u>	<u>(9,965,209)</u>
	<u>\$ 2,587,369</u>	<u>\$ 5,897,651</u>	<u>\$ 8,485,020</u>

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

- Sewer and road improvements in the amount of \$321,585.
- Police vehicles purchased in the amount of \$168,072.
- Playground improvements in the amount of \$111,984.

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

CITY OF HARAHAH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$708,000. 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, 2020. The balance on the DEQ loan is \$2,147,679 as of December 31, 2020. Additional information on long term obligations can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

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

Located in Harahan is the largest piece of undeveloped property on the east bank of Jefferson Parish. The approximately 88-acre site is the former home of the Colonial Golf and Country Club. The site is zoned for approximately 15 acres of commercial development and 73 acres of residential development. In 2018, the City re-subdivided the approximate 15-acre commercial parcel into 6 commercial parcels. 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 commercial parcel. The Blake opened in December 2020. The City should realize an increased property tax impact for the 2021 tax year. In 2021, the City approved an eight (8) lot residential parcel. Said lots are currently on the market or under development. On June 29, 2021, the Council approved an Amended Development Agreement (ADA) to be executed by the Mayor and Developers. This ADA clears the way for further development of the 88-acre property at a more expedited rate. Among other matters, the Amended Development Agreement addressed material issues affecting the City including, but not limited to, Storm Water detention, Sewerage treatment, and other matters of financial impact to the City. Included in the ADA are advanced payments of impact fees and other financial incentives to the City. Of the non-refundable, advanced impact fees expected in late 2021 or early 2022, is \$450,000 dedicated to sewer capital projects and \$50,000 in streets capital projects. The other financial incentives payable to the City are expected in 2021 and include \$150,000 for capital projects excluding sewer, drainage, or street projects, and an additional \$100,000 for recreation projects, totaling \$250,000 in total capital grant funds from the developer. 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.

In May 2021, the City hosted the Krewe of Kings parade, helping the city, Parish and State return to normal as the country emerges from the Covid-19 pandemic. Officials estimated the crowd to be in excess of 50,000 people.

CITY OF HARAHAH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Economic Factors and Next Year's Budget and Rates (continued)

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

Requests for Information

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

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Cash	\$ 3,404,354	\$ 204,386	\$ 3,608,740
Receivables	400,579	65,679	466,258
Prepays	53,177	-	53,177
Restricted cash	485,496	414,674	900,170
Capital assets, net of depreciation	2,587,369	5,897,651	8,485,020
Internal balances	470,767	(470,767)	-
	<u>\$ 7,401,742</u>	<u>\$ 6,111,623</u>	<u>\$ 13,513,365</u>
<u>Deferred outflows of resources:</u>			
Deferred loss of resources on bond refunding	\$ 3,921	\$ -	\$ 3,921
Deferred amounts related to net pension liability	1,587,452	-	1,587,452
	<u>\$ 1,591,373</u>	<u>\$ -</u>	<u>\$ 1,591,373</u>
<u>Liabilities:</u>			
Accounts, salaries, and other payables	\$ 599,149	\$ 791,725	\$ 1,390,874
Interest payable	1,977	-	1,977
Unearned revenue	696,678	-	696,678
Long term liabilities			
Due within one year	242,000	134,000	376,000
Due after one year	1,047,465	2,013,679	3,061,144
Net pension liability	4,093,915	-	4,093,915
	<u>\$ 6,681,184</u>	<u>\$ 2,939,404</u>	<u>\$ 9,620,588</u>
<u>Deferred inflows of resources:</u>			
Unavailable revenue	\$ 1,657,629	291,803	\$ 1,949,432
Deferred amounts related to net pension liability	426,457	-	426,457
	<u>\$ 2,084,086</u>	<u>\$ 291,803</u>	<u>\$ 2,375,889</u>
<u>Net Position (deficit):</u>			
Net investment in capital assets	\$ 2,587,369	\$ 3,749,972	\$ 6,337,341
Restricted for debt service	249,905	214,588	464,493
Restricted for repairs and maintenance	-	200,086	200,086
Unrestricted	(2,609,429)	(1,284,230)	(3,893,659)
	<u>\$ 227,845</u>	<u>\$ 2,880,416</u>	<u>\$ 3,108,261</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ 1,722,434	\$ 1,000,627	\$ 282,125	\$ 204,219	\$ (235,463)	\$ -	\$ (235,463)
Public safety - police	2,989,089	-	-	-	(2,989,089)	-	(2,989,089)
Public safety - fire	1,273,025	-	-	-	(1,273,025)	-	(1,273,025)
Public works	536,890	-	-	-	(536,890)	-	(536,890)
Sanitation	652,523	707,603	-	-	55,080	-	55,080
Recreation	376,594	-	-	-	(376,594)	-	(376,594)
Interest and fiscal charges	18,098	-	-	-	(18,098)	-	(18,098)
Total governmental activities	<u>7,568,653</u>	<u>1,708,230</u>	<u>282,125</u>	<u>204,219</u>	<u>(5,374,079)</u>	<u>-</u>	<u>(5,374,079)</u>
Business-Type Activities:							
Sewer	1,326,833	1,026,840	-	-	-	(299,993)	(299,993)
Total governmental activities	<u>\$ 8,895,486</u>	<u>\$ 2,735,070</u>	<u>\$ 282,125</u>	<u>\$ 204,219</u>	<u>(5,374,079)</u>	<u>(299,993)</u>	<u>(5,674,072)</u>
General revenues							
Taxes:							
Ad valorem (property) taxes					1,763,944	365,567	2,129,511
Sales and use taxes					2,310,594	-	2,310,594
Other funding sources, including grants:							
Fines, forfeitures, and other					331,109	-	331,109
Other state revenue not restricted to specific programs					313,024	-	313,024
Interest and investment earnings					23,027	2,624	25,651
CARES Act Funding					1,228,965	-	1,228,965
Miscellaneous					188,217	(9,964)	178,253
Total general revenues and transfers					<u>6,158,880</u>	<u>358,227</u>	<u>6,517,107</u>
Changes in net position					784,801	58,234	843,035
Net position (deficit), beginning of year					<u>(442,831)</u>	<u>2,686,797</u>	<u>2,243,966</u>
Prior Period Adjustment					<u>(114,125)</u>	<u>135,385</u>	<u>21,260</u>
Net position, end of year					<u>\$ 227,845</u>	<u>\$ 2,880,416</u>	<u>\$ 3,108,261</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
GOVERNMENTAL FUNDS - BALANCE SHEET
DECEMBER 31, 2020

	Major Fund Types				Total
	General	Sales Tax Fund	Debt Reserve Fund	Capital Projects Fund	
ASSETS					
Cash, unrestricted	\$ 2,525,020	\$ -	\$ -	\$ 879,334	\$ 3,404,354
Cash, restricted	235,591	-	249,905	-	485,496
Receivables	209,022	191,557	-	-	400,579
Due from other funds	191,557	-	-	536,974	728,531
Prepaid expenses	53,177	-	-	-	53,177
Total assets	\$ 3,214,367	\$ 191,557	\$ 249,905	\$ 1,416,308	\$ 5,072,137
LIABILITIES					
Accounts payable	\$ 427,852	\$ -	\$ -	\$ 594	\$ 428,446
Accrued salaries	170,703	-	-	-	170,703
Due to other funds	66,207	191,557	-	-	257,764
Unearned revenue	252,411	-	-	461,088	713,499
Total liabilities	917,173	191,557	-	461,682	1,570,412
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,657,629	-	-	-	1,657,629
Total deferred inflows of resources	1,657,629	-	-	-	1,657,629
FUND BALANCES					
Nonspendable	53,177	-	-	-	53,177
Restricted for police compensation	94,532	-	-	-	94,532
Restricted for debt service	-	-	249,905	-	249,905
Committed	-	-	-	954,626	954,626
Unassigned	491,856	-	-	-	491,856
Total fund balances	639,565	-	249,905	954,626	1,844,096
Total liabilities, deferred inflows, and fund balances	\$ 3,214,367	\$ 191,557	\$ 249,905	\$ 1,416,308	\$ 5,072,137

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, 2020

Total fund balances – governmental funds \$ 1,844,096

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

Capital assets	\$ 8,583,945	
Accumulated depreciation	<u>(5,996,576)</u>	2,587,369

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.

	<u>16,821</u>	16,821
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Accrual basis recognition of interest expenditures

	<u>(1,977)</u>	(1,977)
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Deferred loss on bond refunding

	<u>3,921</u>	3,921
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Net pension liability balances in accordance with GASB 68:

Deferred outflow of resources - related to net pension liability	1,587,452	
Net pension liability	(4,093,915)	
Deferred inflow of resources - related to net pension liability	<u>(426,457)</u>	(2,932,920)

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

Balances at December 31, 2020 are:

Bonds payable	\$ (708,000)	
Compensated absences	<u>(581,465)</u>	<u>(1,289,465)</u>

Net position – governmental activities

	<u>\$ 227,845</u>	
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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, 2020

	Major Fund Types				Total
	General	Sales Tax Fund	Debt Service Fund	Capital Projects Fund	
REVENUES					
Taxes					
Ad valorem	\$ 1,763,944	\$ -	\$ -	\$ -	\$ 1,763,944
Sales and use	-	2,310,594	-	-	2,310,594
Intergovernmental	165,946	-	-	204,219	370,165
Franchise fees	442,887	-	-	-	442,887
Licenses and permits	557,740	-	-	-	557,740
Fines and forfeitures	331,109	-	-	-	331,109
Charges for services	707,603	-	-	-	707,603
Gaming revenue	296,203	-	-	-	296,203
Interest income	19,199	1,007	948	1,873	23,027
Other federal revenue	116,179	-	-	-	116,179
Cares Act Funding	1,228,965	-	-	-	1,228,965
Other	183,192	-	-	5,025	188,217
Total revenues	<u>5,812,967</u>	<u>2,311,601</u>	<u>948</u>	<u>211,117</u>	<u>8,336,633</u>
EXPENDITURES					
General government	1,465,414	171,590	-	-	1,637,004
Public safety - police	2,705,421	-	-	1,484	2,706,905
Public safety - fire	1,203,605	-	-	-	1,203,605
Public works	485,011	-	-	668	485,679
Sanitation	652,523	-	-	-	652,523
Recreation	345,541	-	-	5,025	350,566
Debt service					
Principal	227,000	-	-	-	227,000
Interest and fiscal charges	16,841	-	-	-	16,841
Capital outlay	132,448	-	-	524,420	656,868
Total expenditures	<u>7,233,804</u>	<u>171,590</u>	<u>-</u>	<u>531,597</u>	<u>7,936,991</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	<u>(1,420,837)</u>	<u>2,140,011</u>	<u>948</u>	<u>(320,480)</u>	<u>399,642</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,140,011	-	-	296,203	2,436,214
Operating transfers out	(296,203)	(2,140,011)	-	-	(2,436,214)
Total other financing sources (uses)	<u>1,843,808</u>	<u>(2,140,011)</u>	<u>-</u>	<u>296,203</u>	<u>-</u>
CHANGE IN FUND BALANCE					
	422,971	-	948	(24,277)	399,642
FUND BALANCE - BEGINNING OF YEAR, RESTATED					
	216,594	-	248,957	978,903	1,444,454
FUND BALANCE - END OF YEAR					
	<u>\$ 639,565</u>	<u>\$ -</u>	<u>\$ 249,905</u>	<u>\$ 954,626</u>	<u>\$ 1,844,096</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, 2020

Total changes in fund balances – governmental funds		\$ 399,642
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	\$ 656,868	
Depreciation expense	<u>(326,736)</u>	330,132
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments of bonds payables.		
		227,000
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.		
		<u>16,821</u>
Change in accrual basis recognition of interest expenditures		
Current year amortization of loss on bond refunding		<u>(1,257)</u>
Change in net pension liability and deferred inflows and outflows in accordance with GASB 68		
		<u>(161,835)</u>
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).		
		<u>(25,702)</u>
Change in net position of governmental activities		<u>\$ 784,801</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 204,386
Accounts receivable	65,679
Total current assets	<u>270,065</u>

NON-CURRENT ASSETS

Cash, restricted	414,674
Capital assets, net	5,897,651
Total non-current assets	<u>6,312,325</u>

Total assets	<u><u>\$ 6,582,390</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts and other payables	\$ 791,725
Loan payable, current portion	134,000
Due to other funds	470,767
Total current liabilities	<u>1,396,492</u>

NON-CURRENT LIABILITY - LOAN PAYABLE

Total liabilities	<u>2,013,679</u>
	<u>3,410,171</u>

DEFERRED INFLOWS OF RESOURCES - UNAVAILABLE REVENUE

291,803

NET POSITION

Net investment in capital assets	3,749,972
Restricted for debt service	214,588
Restricted for repairs and maintenance by debt agreement	200,086
Unrestricted (deficit)	(1,284,230)
Total net position	<u>2,880,416</u>

Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 6,582,390</u></u>
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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, 2020

OPERATING REVENUES

Charges for service	\$ 1,026,840
Total operating revenues	<u>1,026,840</u>

OPERATING EXPENSES

Contractual services	408,223
Supplies, maintenance and repairs	546,819
Depreciation	178,999
Miscellaneous	192,792
Total operating expenses	<u>1,326,833</u>
Operating loss	<u>(299,993)</u>

NON-OPERATING REVENUES (EXPENSES)

Property tax revenue	365,567
Interest income	2,624
Interest expense	(9,964)
Total non-operating revenues (expenses)	<u>358,227</u>

CHANGE IN NET POSITION

58,234

NET POSITION - BEGINNING OF YEAR, RESTATED2,822,182**NET POSITION - END OF YEAR**\$ 2,880,416

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 1,016,658
Cash paid to suppliers for goods or services	(1,142,715)
Net cash used in operating activities	<u>(126,057)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Property taxes received	386,671
Change in due to general fund (claim on cash)	214,247
Net cash provided by financing activities	<u>600,918</u>
<u>CASH FLOWS FROM CAPITAL ACTIVITIES</u>	
Purchase and construction of capital assets	(416,223)
Payments on note payable	(133,000)
Interest paid	(9,964)
Net cash used in capital activities	<u>(559,187)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	2,624
Net cash provided by financing activities	<u>2,624</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(81,702)
<u>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</u>	<u>700,762</u>
<u>CASH AND CASH EQUIVALENTS: END OF YEAR</u>	<u>\$ 619,060</u>
<u>RECONCILIATION TO AMOUNTS ON THE STATEMENT OF FINANCIAL POSITION:</u>	
Cash	\$ 204,386
Cash, restricted	414,674
Total cash	<u>\$ 619,060</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>	
Operating loss	\$ (299,993)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	178,999
Changes in operating assets and liabilities	
Accounts receivable	(10,182)
Prepaid expenses	3,184
Accounts and other payables	1,935
Net cash used in operating activities	<u>\$ (126,057)</u>

See accompanying notes to financial statements.

CITY OF HARAHAAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's population is approximately 9,300 people.

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

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

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CITY OF HARAHAH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

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

A sales tax of 9.75% is collected on purchases in the City of Harahan during the 2020 year. Of the 9.75% total, 5.0% is levied by the state of Louisiana and 4.75% by Jefferson Parish, for itself and other local government subdivisions within the Parish. Of the 4.75% levied by Jefferson Parish, 2.0% is dedicated to the Jefferson Parish School Board and 2.75% is collected for the benefit of the City of Harahan. Sales tax amounts are dedicated to the general operations of the City and to support law enforcement.

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

Debt Service Fund - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund was created during the year ended December 31, 2018 to maintain the reserve funds for the bonds refinanced in 2016.

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

The City reports the following major enterprise fund:

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

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

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

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

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

Cash

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

Restricted Cash

Certain funds of governmental activities and business-type activities as well as certain resources set aside for bond repayment, are classified as restricted cash on the Statement of Net Position because their use is limited by applicable bond covenants. In addition, the General Fund reports restricted assets for unspent Department of Justice funds.

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, 2020, 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

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.

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

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

Deferred Inflows and Outflows of Resources

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

The governmental funds report a deferred inflow of resources for unavailable revenue from property taxes that were prepaid for the subsequent year. These amounts are deferred and will be recognized as revenue in the subsequent year. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Resources (continued)

They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period. Deferred outflows of resources also include a deferred loss on bond refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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.

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

Long-term obligations (continued)

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 Balances

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.

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.

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) Summary of Significant Accounting Policies (continued)

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.

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.

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(2) Budgetary Procedures and Budgetary Accounting (continued)

- (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.
- (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 2020 budget for the general fund, the sewer fund, and the sales tax fund in December 2020. The budgets for the 2021 year were adopted before December 31, 2020.

(3) Cash

At December 31, 2020, the City had \$4,508,910 in demand deposits. The bank balances and collateralization for deposit at December 31, 2020 are as follows:

Total bank balances	<u>\$ 4,575,338</u>
Federal depository insurance	\$ 250,000
Pledged securities	<u>4,455,104</u>
Total collateral	<u>\$ 4,705,104</u>
Collateral - Surplus	<u>\$ 129,766</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, 2020, because of the collateral surplus.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(3) Cash (continued)

Of the total cash shown above, \$3,404,354 is unrestricted for governmental activities, which includes \$879,334 committed by nature of the fund for capital improvements. Restricted cash for governmental activities consists of \$235,591 related to asset forfeiture funds and \$249,905 restricted for debt service on the outstanding bonds. Restricted cash of \$414,674 for business type activities is restricted under the terms of the DEQ loan agreement. At December 31, 2020, the business type activities (sewer fund) reports unrestricted cash of \$204,386.

(4) Property Taxes

The City levies an ad valorem tax on real property as of January 1. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date (January 1 of the subsequent year). Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. The assessed value at January 1, 2019, upon which the 2020 levies were based, was \$101,221,388.

Ad valorem taxes are recorded as revenue of the period for which levied, thus the 2019 property tax, which was levied to finance the budget for 2020, was recorded as ad valorem tax revenue for the year ended December 31, 2020. The 2020 property tax which was levied to finance the 2021 year, is included as deferred inflows of resources – unavailable revenue at December 31, 2020 and will be recognized as property tax revenue during the year ended December 31, 2021.

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

	<u>2020 budget</u>	<u>2021 budget</u>	<u>Expiration</u>
General operations - 1977	\$1.610	\$1.610	n/a
General operations - 1982	\$2.340	\$2.340	n/a
General operations	\$4.100	\$4.100	n/a
Fire protection (general fund)	\$5.000	\$5.000	2025
Police salary and benefits (general fund)	\$5.000	\$5.000	2028
Sewer operations and maintenance	\$0.880	\$0.880	n/a
Sewer operations and maintenance	\$3.000	\$3.000	2027

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

(5) Accounts Receivable

Accounts receivable at December 31, 2020 consisted of the following:

Sales and use tax	\$	191,557
Franchise fee		113,471
Video poker		29,981
Sanitation services		25,805
Other		39,765
Total governmental receivables		400,579
Sanitation services - propriety fund		65,679
Total propriety fund receivables		65,679
Total government wide receivables	\$	466,258

(6) Property, Plant, and Equipment

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

	January 1, 2020	Additions	Deletions	December 31, 2020
Land, land improvement, and buildings	\$ 2,850,860	\$ 111,984	\$ -	\$ 2,962,844
Infrastructure assets	1,349,412	321,585	-	1,670,997
Transportation equipment	1,925,687	168,072	-	2,093,759
Other equipment	1,256,442	51,039	-	1,307,481
Furniture and fixtures	53,511	-	-	53,511
Computer equipment	491,165	4,188	-	495,353
Total asset cost	7,927,077	656,868	-	8,583,945
Less: Accumulated depreciation				
Land, land improvement, and buildings	(2,176,541)	(44,524)	-	(2,221,065)
Infrastructure assets	(398,275)	(63,280)	-	(461,555)
Transportation equipment	(1,642,757)	(133,708)	-	(1,776,465)
Other equipment	(1,012,657)	(58,802)	-	(1,071,459)
Furniture and fixtures	(53,511)	-	-	(53,511)
Computer equipment	(386,099)	(26,422)	-	(412,521)
Total accumulated depreciation	(5,669,840)	(326,736)	-	(5,996,576)
Net	\$ 2,257,237	\$ 330,132	\$ -	\$ 2,587,369

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

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

General government - other	\$ 80,734
Public safety - police	146,958
Public safety - fire	36,544
Public works	44,643
Recreation	17,857
	<u>\$ 326,736</u>

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

	January 1, 2020	Additions	Deletions	December 31, 2020
Land	\$ 7,121	\$ -	\$ -	\$ 7,121
Right of way	6,606	-	-	6,606
Sewerage collection system	4,069,255	-	-	4,069,255
Sewerage treatment plant	2,290,923	374,951	-	2,665,874
Sewer infrastructure	3,076,157	244,341	(203,070)	3,117,428
Total asset cost	9,450,062	619,292	(203,070)	9,866,284
Less: Accumulated depreciation				
Sewerage collection system	(2,398,160)	(68,575)	-	(2,466,735)
Sewerage treatment plant	(1,329,952)	(52,961)	-	(1,382,913)
Sewer infrastructure	(61,523)	(57,462)	-	(118,985)
Total accumulated depreciation	(3,789,635)	(178,998)	-	(3,968,633)
Net	<u>\$ 5,660,427</u>	<u>\$ 440,294</u>	<u>\$ (203,070)</u>	<u>\$ 5,897,651</u>

(7) Long-term Obligations

Governmental Activities

Bonds Payable

Bonds payable at December 31, 2020 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%.

\$ 708,000

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(7) Long-term Obligations (continued)

Governmental Activities (continued)

Bonds Payable (continued)

The annual debt service to maturity on improvement bonds outstanding as of December 31, 2020 is as follows:

December 31,	Principal	Interest	Total
2021	\$ 231,000	\$ 12,146	\$ 243,146
2022	236,000	7,360	243,360
2023	241,000	2,470	243,470
Total Bonds	\$ 708,000	\$ 21,976	\$ 729,976

For the year ended December 31, 2020, interest expense of the general fund was \$16,841.

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, 2020 is \$10,122,139.

Business-Type Activities

Louisiana Department of Environmental Quality Loan

The City entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the City \$4,000,000 for improvements to the City's wastewater system. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ is evidenced through the Taxable Sewer Revenue Bonds, Series 2014. Annual principal payments are due beginning February 1, 2016 and continuing through February 1, 2025. Future principal payments are based on a percent of the outstanding principal amount on the day before the applicable principal payment date. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on August 1, 2014 and are due semiannually thereafter. The outstanding balance of the loan was \$2,147,679 at December 31, 2020.

The City is in compliance with the debt covenants relating to the LDEQ loan as of December 31, 2020.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(7) Long-term Obligations (continued)

The annual debt service to maturity on LDEQ outstanding as of December 31, 2020 including interest and admin fee payments of \$79,050 and \$87,831 respectfully, are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>	<u>Total</u>
2021	\$ 134,000	\$ 9,665	\$ 10,739	\$ 154,404
2022	135,000	9,062	10,069	154,131
2023	136,000	8,454	9,393	153,847
2024	138,000	7,842	8,713	154,555
2025	139,000	7,221	8,023	154,244
2026-2030	715,000	26,607	29,563	771,170
2031-2035	750,679	10,199	11,331	772,209
	<u>\$ 2,147,679</u>	<u>\$ 79,050</u>	<u>\$ 87,831</u>	<u>\$ 2,314,560</u>

A summary of changes in long-term obligations are as follows for the year ended December 31, 2020:

	<u>Governmental Activities</u>			<u>Business Type Activities</u>	<u>Total</u>
	<u>Bonds Payable - Series 2016</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Louisiana DEQ Loan</u>	
January 1	\$ 935,000	\$ 555,763	\$ 3,380,731	\$ 2,280,679	\$ 7,152,173
Additions	-	162,041	713,184	-	875,225
Reductions	(227,000)	(136,339)	-	(133,000)	(496,339)
December 31	<u>\$ 708,000</u>	<u>\$ 581,465</u>	<u>\$ 4,093,915</u>	<u>\$ 2,147,679</u>	<u>\$ 7,531,059</u>
Due within one year	<u>\$ 231,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>	<u>\$ 134,000</u>	<u>\$ 376,000</u>

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(8) Interfund Balances and Transfers

Interfund balances as of December 31, 2020 were as follows:

	Due from other funds	Due to other funds
Governmental Funds		
General fund	\$ 191,557	\$ 66,207
Sales tax fund	-	191,557
Capital projects fund	536,974	-
	728,531	257,764
Proprietary Funds		
Sewer fund	-	470,767
	-	470,767
Total	\$ 728,531	\$ 728,531

Interfund transfers for the year ended December 31, 2020 were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General fund	\$ 2,140,011	\$ 296,203
Sales tax fund	-	2,140,011
Capital projects fund	296,203	-
	2,436,214	2,436,214
Proprietary Funds		
Sewer fund	-	-
	-	-
Total	\$ 2,436,214	\$ 2,436,214

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, 2020, the general fund transferred \$296,203 to the capital projects fund to provide annual support and the sales tax fund transferred \$2,140,011 to the general fund for operating purposes.

CITY OF HARAHAAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans

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

General Information about the Pension Plans

Plan Description - MPERS

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

Plan Description - FRS

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

Benefits Provided - MPERS

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Benefits Provided – MPERS (continued)

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.

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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

General Information about the Pension Plans (continued)

Benefits Provided – FRS (continued)

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, 2020

(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, 2020 and 2019, the total actual employer and employee contribution rate was 40.5% and 42.25%, respectively. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 32.5% and 32.25%, respectively for the employer and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 32.50% and 32.25%, respectively for the employer and 8.0% for the employee.

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(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 34.75%, 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 \$349,162 for the year ended December 31, 2020.

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, 2020 and 2019. The contributions are deducted from the member's salary and remitted by the City.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2020 and 2019, the actuarially determined contribution rates were 29.75% and 29.75%, respectively, of member's compensation. However, for the years ending/ended June 30, 2021 and 2020, employer contributions were 32.25% and 27.75%, respectively, of covered payroll above poverty and 34.25% and 29.75%, 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 \$165,498 for the year ended December 31, 2020.

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

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

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

At December 31, 2020, the City reported a combined liability of \$4,093,915 for its proportionate share of the Net Pension liabilities (NPL). The NPL for FRS and MPERS was measured as of June 30, 2020 and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of those dates. The City's proportion of the NPL was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

The following table reflects the City's proportionate share of the Net Pension Liability for each of the pension plans, the proportion at June 30, 2020 and the change compared to the June 30, 2019 proportion.

	Net Pension Liability at June 30, 2020	Proportionate Rate at June 30, 2020	Increase (Decrease) on June 30, 2020 Rate
Multiple Employer Cost Sharing Plans:			
Municipal Police Employees' Retirement System	\$ 2,625,127	0.2840%	0.0475%
Firefighters' Retirement System	1,468,788	0.2119%	0.0150%
Total - Multiple Employer Cost Sharing Plans:	<u>\$ 4,093,915</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, 2020.

	Pension Expense
Municipal Police Employees' Retirement System	\$ 486,386
Firefighters' Retirement System	261,804
	<u>\$ 748,190</u>

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

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

At December 31, 2020, 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	\$ -	\$ (103,402)
Changes of assumptions	62,379	(64,784)
Net difference between projected and actual earnings on pension plan investments	314,936	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		
Change in proportion	440,937	(128,409)
Difference in contributions	9,269	(6,501)
Employer contributions subsequent to the measurement date	194,714	-
Total	\$ 1,022,235	\$ (303,096)

FRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (93,973)
Changes of assumptions	141,986	-
Net difference between projected and actual earnings on pension plan investments	161,752	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		
Change in proportion	165,585	(28,685)
Difference in contributions	5,543	(703)
Employer contributions subsequent to the measurement date	90,351	-
Total	\$ 565,217	\$ (123,361)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Police Employees' Retirement System	\$ 1,022,235	\$ (303,096)
Firefighters' Retirement System	565,217	(123,361)
	\$ 1,587,452	\$ (426,457)

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

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

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2020. 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	\$ 194,714
Firefighters' Retirement System	90,351
	<u>\$ 285,065</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>FRS</u>	<u>Total</u>
2021	\$ 191,368	\$ 46,689	\$ 238,057
2022	113,673	93,307	206,980
2023	156,806	96,010	252,816
2024	59,810	74,390	134,200
2025	-	20,312	20,312
2026	-	15,957	15,957
	<u>\$ 521,657</u>	<u>\$ 346,665</u>	<u>\$ 868,322</u>

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

Actuarial Assumptions

	<u>MPERS</u>	<u>FRS</u>						
Valuation Date	June 30, 2020	June 30, 2020						
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	6.950% net of investment expenses	7.00% net of fees.						
Inflation Rate	2.500%	2.500% per annum						
Mortality	<p>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.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>	<p>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.</p>						
Salary Increases	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><u>Salary Growth Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1 - 2</td> <td style="text-align: center;">12.30%</td> </tr> <tr> <td style="text-align: center;">Above 2</td> <td style="text-align: center;">4.70%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	1 - 2	12.30%	Above 2	4.70%	Vary from 14.10% in the first two years of service to 5.20% after 3 or more years; includes inflation and merit increases
<u>Years of Service</u>	<u>Salary Growth Rate</u>							
1 - 2	12.30%							
Above 2	4.70%							
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.						

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(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	FRS
<p>The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 7.19% for the year ended June 30, 2020.</p>	<p>The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These rangers are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 7.48% as of June 30, 2020. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2020.</p>

Best estimates of the arithmetic real rates of return for each major asset class included in the MPERS' and FRS' target asset allocations as of June 30, 2020 are summarized in the following table.

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	MPERS	FRS	MPERS	FRS
Fixed Income	33.50%	31.00%	0.54%	0.43%
Equity	48.50%	54.00%	3.08%	3.38%
Alternatives	18.00%	15.00%	1.02%	1.18%
Total	100.00%	100.00%	4.64%	4.99%
Inflation			2.55%	2.50%
Expected Arithmetic Nominal Return			7.19%	7.49%

CITY OF HARRAHAN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(9) Pension Plans (continued)

Actuarial Assumptions (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MPERS and FRS was 6.950% and 7.00% for the year ended June 30, 2020.

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

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

	<u>1.0%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1.0% Increase</u>
MPERS			
Rates	5.950%	6.950%	7.950%
City's proportionate share of NPL	\$ 3,688,023	\$ 2,625,127	\$ 1,736,589
FRSL			
Rates	6.000%	7.000%	8.000%
City's proportionate share of NPL	\$ 2,121,650	\$ 1,468,788	\$ 923,841

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, 2020

(9) Pension Plans (continued)

Support of Non-employer Contributing Entities (continued)

During the year ended December 31, 2020, 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	\$ 61,911
Firefighters' Retirement System	59,369
	\$ 121,280

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.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, 2020 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, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
MPERS	\$ 30,681	\$ 29,953
FRS	18,391	14,996
	\$ 49,072	\$ 44,949

(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, 2020, 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 HARAHAH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(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, 2020.

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, 2020 might be impaired. In the City's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing federal, state, and local grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the City.

(11) Sales Tax

A sales tax of 9.75% is collected on purchases in the City of Harahan during the 2020 year. Of the 9.75% total, 5.0% is levied by the state of Louisiana and 4.75% by Jefferson Parish, for itself and other local government subdivisions within the Parish. Of the 4.75% levied by Jefferson Parish, 2.0% is dedicated to the Jefferson Parish School Board and 2.75% is collected for the benefit of the City of Harahan. Sales tax amounts are dedicated to the general operations of the City and to support law enforcement. The Jefferson Parish Sheriff's Office (a separate reporting entity) collects all Jefferson Parish taxes, except on motor vehicle sales, and retains a collection commission on the share going to local governments. The state collects parish taxes on motor vehicle sales and remits them back to the parish of registration.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(12) Recent Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement established accounting requirements for interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2021.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for periods beginning after June 15, 2021.

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

(13) COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its employees and vendors all of which are uncertain and cannot be predicted or reasonably estimated at this time.

(14) CARES Act Funding

In May 2020, the City was awarded \$1,228,965 in Coronavirus Aid, Relief, and Economic Security ("CARES") Act funding, a reimbursement grant. The expenses incurred as of December 31, 2020 are recorded on the Schedule of Expenditures of Federal Awards.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(15) Prior Period Adjustments

The City identified adjustments to expenses that should have been recorded as accounts payable to correct an error which affected prior year financial statements. The impact on the fund balance of the General Fund of the City as of December 31, 2019 is as follows:

Governmental Funds – Balance Sheet

Fund balance as previously reported, December 31, 2019	\$ 1,558,579
Accrued salaries adjustment	<u>(114,125)</u>
Fund balance, as restated, December 31, 2019	<u><u>\$ 1,444,454</u></u>

Governmentwide (Governmental activities)

Net position (deficit) as previously reported, December 31, 2019	\$ (442,831)
Accrued salaries adjustment	<u>(114,125)</u>
Net position (deficit), as restated, December 31, 2019	<u><u>\$ (556,956)</u></u>

The City identified adjustments to repairs and maintenance expenses that should not have been recorded in the prior year as accounts payable to correct an error which affected prior year financial statements. The impact on the net position of the Sewer fund of the City as of December 31, 2019 is as follows:

Governmentwide (Business-type activities) / Proprietary Fund

Net position as previously reported, December 31, 2019	\$ 2,686,797
Accounts payable adjustments	<u>135,385</u>
Net position, as restated, December 31, 2019	<u><u>\$ 2,822,182</u></u>

(16) Subsequent Events

The City has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2021, and determined the following items required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

On January 11, 2021, the City purchased a fire truck in the amount of \$649,550. The City also recognized grant revenue of \$300,000 in 2021 that was included in deferred revenue at December 31, 2020. These transactions were recorded in the capital project fund.

CITY OF HARRAHAN, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>				
Ad valorem taxes	\$ 1,632,965	\$ 1,779,535	\$ 1,763,944	\$ (15,591)
Intergovernmental	172,200	168,785	165,946	(2,839)
Franchise fees	466,354	468,221	442,887	(25,334)
Fees, licenses and permits	597,700	521,483	557,740	36,257
Fines and forfeitures	213,500	347,674	331,109	(16,565)
Charges for services	607,000	719,654	707,603	(12,051)
Gaming revenue	300,000	182,648	296,203	113,555
Interest income	30,060	12,758	19,199	6,441
Other federal revenue	-	3,994	116,179	112,185
Cares Act Funding	-	925,000	1,228,965	303,965
Other	237,150	230,256	183,192	(47,064)
Total revenues	<u>4,256,929</u>	<u>5,360,008</u>	<u>5,812,967</u>	<u>452,959</u>
<u>EXPENDITURES</u>				
General government - other	1,070,761	1,334,281	1,465,414	(131,133)
Public safety - police	2,330,079	2,325,079	2,705,421	(380,342)
Public safety - fire	1,128,666	1,209,282	1,203,605	5,677
Public works	294,557	369,422	485,011	(115,589)
Sanitation	657,655	652,524	652,523	1
Recreation	312,300	340,505	345,541	(5,036)
Debt service - principal	222,000	222,398	227,000	(4,602)
Debt service - interest	21,443	21,443	16,841	4,602
Capital outlay	-	85,853	132,448	(46,595)
Total expenditures	<u>6,037,461</u>	<u>6,560,787</u>	<u>7,233,804</u>	<u>(673,017)</u>
<u>DEFICIENCY OF REVENUES OVER EXPENDITURES</u>				
	<u>(1,780,532)</u>	<u>(1,200,779)</u>	<u>(1,420,837)</u>	<u>(220,058)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	2,129,070	1,989,855	2,140,011	150,156
Operating transfers out	(300,000)	(182,648)	(296,203)	(113,555)
Total other financing sources	<u>1,829,070</u>	<u>1,807,207</u>	<u>1,843,808</u>	<u>36,601</u>
<u>CHANGE IN FUND BALANCE</u>				
	48,538	606,428	422,971	(183,457)
<u>FUND BALANCE - BEGINNING OF YEAR, RESTATED</u>				
	<u>216,594</u>	<u>216,594</u>	<u>216,594</u>	<u>-</u>
<u>FUND BALANCE - END OF YEAR</u>				
	<u>\$ 379,257</u>	<u>\$ 937,147</u>	<u>\$ 753,690</u>	<u>\$ (183,457)</u>

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Sales and use tax revenue	\$ 2,300,000	\$ 2,152,634	\$ 2,310,594	\$ 157,960
Interest income	1,570	1,795	1,007	(788)
Total revenues	<u>2,301,570</u>	<u>2,154,429</u>	<u>2,311,601</u>	<u>157,172</u>
<u>EXPENDITURES</u>				
General government	172,500	164,574	171,590	7,016
Total expenditures	<u>172,500</u>	<u>164,574</u>	<u>171,590</u>	<u>7,016</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>				
	<u>2,129,070</u>	<u>1,989,855</u>	<u>2,140,011</u>	<u>150,156</u>
<u>OTHER FINANCING USES</u>				
Operating transfers in	-	-	-	-
Operating transfers out	(2,129,070)	(1,989,855)	(2,140,011)	150,156
Total other financing sources (uses)	<u>(2,129,070)</u>	<u>(1,989,855)</u>	<u>(2,140,011)</u>	<u>150,156</u>
<u>CHANGE IN FUND BALANCE</u>				
	-	-	-	-
<u>FUND BALANCE - BEGINNING OF YEAR</u>				
	-	-	-	-
<u>FUND BALANCE - END OF YEAR</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2020 (*)

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
<u>Municipal Police Employees' Retirement System</u>					
2020	0.2840%	\$ 2,625,127	\$ 1,009,725	259.9844%	70.9450%
2019	0.2365%	\$ 2,148,061	\$ 745,771	288.0323%	71.0078%
2018	0.2691%	\$ 2,274,785	\$ 710,290	320.2614%	71.8871%
2017	0.1930%	\$ 1,684,561	\$ 574,178	293.3865%	70.0815%
2016	0.2201%	\$ 2,062,451	\$ 631,991	326.3418%	66.0422%
2015	0.2158%	\$ 1,690,340	\$ 574,637	294.1579%	70.7303%

Firefighters Retirement System

2020	0.2119%	\$ 1,468,788	\$ 550,956	266.5890%	72.6117%
2019	0.1969%	\$ 1,232,670	\$ 475,766	259.0917%	73.9643%
2018	0.1971%	\$ 1,133,545	\$ 439,205	258.0902%	74.7634%
2017	0.1669%	\$ 956,531	\$ 389,641	245.4903%	73.5479%
2016	0.1702%	\$ 1,113,458	\$ 383,833	290.0892%	68.1550%
2015	0.1793%	\$ 967,772	\$ 381,072	253.9604%	72.4475%

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

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

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO EACH RETIREMENT SYSTEM
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2020

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
------------------------------	---	--	--	----------------------------------	--

Municipal Police Employees' Retirement System

2020	\$ 349,162	\$ 349,162	\$ -	\$ 852,805	40.94%
2019	\$ 260,978	\$ 260,978	\$ -	\$ 806,037	32.38%
2018	\$ 225,800	\$ 225,800	\$ -	\$ 717,127	31.49%
2017	\$ 202,309	\$ 202,309	\$ -	\$ 646,954	31.27%
2016	\$ 160,576	\$ 160,576	\$ -	\$ 525,053	30.58%
2015	\$ 190,359	\$ 190,359	\$ -	\$ 621,844	30.61%

Firefighters Retirement System

2020	\$ 165,498	\$ 165,498	\$ -	\$ 550,956	30.04%
2019	\$ 134,329	\$ 134,329	\$ -	\$ 494,853	27.15%
2018	\$ 125,245	\$ 125,245	\$ -	\$ 456,040	27.46%
2017	\$ 115,668	\$ 115,668	\$ -	\$ 446,279	25.92%
2016	\$ 90,633	\$ 90,633	\$ -	\$ 341,374	26.55%
2015	\$ 108,362	\$ 108,362	\$ -	\$ 383,587	28.25%

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

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

- (1) Employer contribution rate multiplied by employer's covered employee payroll
- (2) Actual employer contributions remitted to Retirement systems
- (3) Employers covered payroll amount for the year ended December 31 of each year

CITY OF HARRAHAN, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO CITY COUNCIL MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2020

Jason Asbill	\$	11,400
Tommy Budde		11,400
Eric Chatelain		11,400
Craig Johnston		11,400
Carrie Wheeler		11,400
		<u>11,400</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, 2020

Agency Head Name: Tim Baudier, Mayor

Purpose	Amount
Salary	\$ 59,000
Benefits - Insurance	6,801
Benefits - Life	210
Car Allowance	4,200
	<u>\$ 70,211</u>

See accompanying independent auditors' report.

Justice System Funding Schedule - Collecting/Disbursing Entity

As Required by Act 87 of the 2020 Regular Legislative Session

Identifying Information

Entity Name
 LLA Entity ID # (This is the ID number assigned to the entity by the Legislative Auditor for identification purposes.)
 Date that reporting period ended (mm/dd/yyyy)

City of Harahan
2176
December 31, 2020

Cash Basis Presentation

Beginning Balance of Amounts Collected (i.e. cash on hand)

	First Six Month Period Ended 6/30/2020	Second Six Month Period Ended 12/31/2020
\$ -	\$ -	

Add: Collections

Civil Fees (including refundable amounts such as garnishments or advance deposits)	-	-
Bond Fees	-	-
Asset Forfeiture/Sale	-	-
Pre-Trial Diversion Program Fees	-	-
Criminal Court Costs/Fees	54,249	51,754
Criminal Fines - Contempt	21,592	24,670
Criminal Fines - Other	85,977	71,287
Restitution	-	-
Probation/Parole/Supervision Fees	-	-
Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)	40,150	34,887
Interest Earnings on Collected Balances	-	-
Other (do not include collections that fit into more specific categories above)	12,355	10,991
Subtotal Collections	214,323	193,589

Less: Disbursements To Governments & Nonprofits: (Must include one agency name and one collection type on each line and

City of Harahan, Criminal Court Costs/Fees	91,879	90,762
City of Harahan, Criminal Fines - Other	85,977	71,287
ACT 50 Crimestoppers INC.	1,366	1,161
ACT 440 Louisiana Commission on Law Enforcement	1,367	1,162
ACT 250 Crime Victims Reparations Fund	218	173
Indigent Defender Fund	24,054	20,313
ACT 152 Trial Court Case Management	2,047	1,741
ACT 654 Traumatic Head & Spinal Cord Injury	1,555	1,315
ACT 131 LA Judicial College	340	289
ACT 508 Disability Affairs Trust Fund	-	25

Less: Amounts Retained by Collecting Agency

Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection	5,520	5,361
Collection Fee for Collecting/Disbursing to Others Based on Fixed Amount	-	-
Amounts "Self-Disbursed" to Collecting Agency (must include a separate line for each collection type, as applicable) - Example: Criminal Fines - Other (Additional rows may be added as necessary)	-	-

Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies

Civil Fee Refunds	-	-
Bond Fee Refunds	-	-
Restitution Payments to Individuals (additional detail is not required)	-	-
Other Disbursements to Individuals (additional detail is not required)	-	-
Payments to 3rd Party Collection/Processing Agencies	-	-

Subtotal Disbursements/Retainage

214,323	193,589
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Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)

\$ -	\$ -
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Ending Balance of "Partial Payments" Collected but not Disbursed (only applies if collecting agency does not disburse partial payments until fully collected) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.

\$ -	\$ -
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Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	\$ -	\$ -
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	\$ -	\$ -

See accompanying independent auditors' report.

CITY OF HARAHAH
REPORTS ON COMPLIANCE AND INTERNAL CONTROL
DECEMBER 31, 2020

CITY OF HARAHAH
REPORTS ON COMPLIANCE AND INTERNAL CONTROL
DECEMBER 31, 2020

CITY OF HARAHAN

December 31, 2020

Table of Contents

	Page
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 <i>Government Auditing Standards</i>	1 – 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the Schedule of Expenditures of Federal Awards	3 – 4
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7 – 8
Summary Schedule of Prior Year Findings and Questioned Costs	9

**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, 2020, 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 30, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

The City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Trustees of
City of Harahan

Report on Compliance for Each Major Federal Program

We have audited the City of Harahan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the City as of and for the year ended December 31, 2020, and have issued our report thereon dated June 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite + Netterville

Metairie, Louisiana
June 30, 2021

CITY OF HARAHAHAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grantor Project Number	Disbursements/ Expenditures
U.S. Department of Justice			
Direct:			
<i>Law Enforcement Assistance</i>			
Narcotics and Dangerous Drugs Laboratory Analysis	16.001	N/A	\$ 7,802
Narcotics and Dangerous Drugs Training	16.004	N/A	100,553
Total Law Enforcement Assistance Cluster			<u>108,355</u>
U.S. Department of Homeland Security			
Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:			
<i>Disaster Grants - Public Assistance</i>			
Presidentially Declared Disasters	97.036	N/A	7,824
U.S. Department of the Treasury			
Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:			
Coronavirus Relief Fund - COVID-19	21.019	N/A	1,228,965
Total Federal Expenditures			<u><u>\$ 1,345,144</u></u>

City of Harahan did not pass through amounts to sub-recipients.

See accompanying notes to Schedule of Federal Awards

CITY OF HARAHAHAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Harahan (the City) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City's reporting entity is defined in Note 1 to the financial statements for the year ended December 31, 2020.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended December 31, 2020. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

(3) De Minimis Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF HARAHAH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Part I – Summary of Independent Auditors’ Results

Financial Statement Section

Type of auditors’ report issued on the financial statements Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? Yes

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified opinion

Any audit findings which are required to be reported under the Uniform Guidance? No

Identification of major programs

 Coronavirus Relief Fund – COVID-19 21.019

Dollar threshold used to determine Type A Programs: \$750,000

Auditee qualified as a low-risk auditee under the Uniform Guidance? No

CITY OF HARAHAH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Part II – Financial Statement Findings Section

2020-001 Budget Act

- Criteria:* Louisiana Revised Statute 39.1311 requires governments to amend their budgets when revenues are falling short of the budget and when expenditures and other uses are exceeding the budget by more than 5%.
- Condition:* For the year ended December 31, 2020, the actual expenditures and other uses of the General Fund of \$7,530,007 exceeded the budgeted expenditures and other uses of \$6,743,435, resulting in an unfavorable variance that exceeded 5%. The City is not in compliance with LA Revised Statute 39:1311 for the year ended December 31, 2020.
- Cause:* The amended budget approved by the City in December 2020 did not include amended amounts for police department expenditures or FEMA related expenditures in public works when actual expenditures and other uses exceed budgeted expenditures and other uses by more than 5%.
- Effect:* The City is not in compliance with LA Revised Statute 39:1311 for the year ended December 31, 2020.
- 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 related to the budget amendments and the 5% requirement. The police department actual expenditures were in excess of budgeted expenditures by \$380,342, primarily related to salaries, benefits, and legal fees. The public works expenditures were in excess of budgeted expenditures by \$115,589, primarily related to Hurricane Zeta related expenditures that occurred in November and December 2020 that were not included in the amended budget. As needed for compliance with the 5% requirement, the Mayor will present budget amendments to the Council for approval.

Part III – Federal Awards Findings and Questioned Costs Section

None

CITY OF HARAHAH

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Part II – Financial Statement Findings Section

2019-001 Budget Act

Condition: The City adopted the December 31, 2019 budget for the General Fund, the Sales Tax Fund, the Capital Projects Fund, and the Sewer Funds on February 21, 2019. These budgets for the year ended December 31, 2019 were not adopted before December 31, 2018.

Status: Resolved.

Part III – Federal Awards Findings and Questioned Costs Section

None

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, 2020, 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 30, 2021.

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 30, 2021

CITY OF HARAHAH

MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2020-01 Information Technology

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

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

Management Response: The City concurs with the recommendation for adoption of an information technology and business continuity policy and will draft a policy. The City did perform a review of user access during the 2020 year and made adjustments as necessary. The City will work with information technology personnel to develop a formal policy that will be in place by December 31, 2021.

CITY OF HARAHAH
PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-01 Information Technology

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

Status: Unresolved - see current year management letter comment 2020-01.