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CITY OF HARRAHAN, LOUISIANA

General Purpose Financial Statements and Schedules

December 31, 1998
(with comparative totals for December 31, 1997)

With Independent Auditors' Report Thereon

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

Release Date 7-21-99

CITY OF HARRAHAN, LOUISIANA

Table of Contents

December 31, 1998

	Page
Independent Auditors' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Special Revenue Fund - GAAP Basis	5
Statements of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund	6
Statements of Cash Flows - Proprietary Fund Type - Enterprise Fund	7
Notes to General Purpose Financial Statements	8-18
<u>Required Supplementary Information:</u>	
Required Supplementary Information under GASB Technical Bulletin 99-1 – Year 2000 Disclosures – Unaudited	19
<u>Supplementary Information:</u>	
Schedule of Compensation Paid to Aldermen	21
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	22-23



Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Independent Auditors' Report

The Honorable Mayor and Aldermen
City of Harahan, Louisiana:

We have audited the general purpose financial statements of the City of Harahan, Louisiana, as of and for the year ended December 31, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harahan, Louisiana, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 25, 1999, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The schedule of the Year 2000 in the Required Supplementary Information is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We were unable to apply certain limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City is or will become Year 2000 compliant, that the City's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become Year 2000 compliant.



Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Harahan, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG LLP

June 25, 1999

CITY OF HARAHAN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 1998

(with comparative totals for December 31, 1997)

	Governmental Fund Types				Proprietary Fund Type	Account Groups			Totals (Memorandum Only) 1997
	Special Revenue Fund	Debt Service	Capital Projects	Enterprise		General Fixed Assets	Long-term Debt	1998	
Cash and cash equivalents (note 3)	\$ 147,228	57	141,267	224,056	99,638	-	-	612,246	904,278
Receivables:									
Sewerage fees	-	-	-	-	18,908	-	-	18,908	37,898
Other	274,832	37,377	-	-	-	-	-	312,209	237,208
Due from other funds (note 8)	115,751	17,802	-	-	22,011	-	-	155,564	48,090
Prepaid insurance	22,047	-	-	-	-	-	-	22,047	22,680
Property, plant and equipment - net where applicable of accumulated depreciation (note 5)	-	-	-	-	2,931,408	-	-	6,504,410	6,236,288
Amount available in debt service fund	-	-	-	-	-	116,222	-	116,222	126,946
Amount to be provided for general obligation debt	-	-	-	-	-	-	1,469,075	1,469,075	1,416,623
	\$ 559,858	55,236	141,267	224,056	3,071,965	3,573,002	1,585,297	9,210,681	9,030,011
Liabilities and Fund Equity									
Liabilities:									
Payables:									
Trade	\$ 158,312	-	-	59,770	46,818	-	-	264,900	226,733
Payroll taxes and other	54,336	-	-	-	-	-	-	54,336	87,436
Accrued salaries	81,864	-	-	-	-	-	-	81,864	79,487
Accrued vacation pay and compensation time	177,455	-	-	-	-	-	-	177,455	149,732
Deferred revenue	88,309	-	-	-	-	-	-	88,309	19,661
Due to other funds (note 8)	22,011	55,220	25,045	53,288	-	-	-	155,564	48,090
Capital leases payable (note 6)	-	-	-	-	-	-	279,298	279,298	110,854
Loan payable (note 6)	-	-	-	-	-	-	40,000	40,000	40,000
General obligation bonds (note 6)	-	-	-	-	-	-	1,265,999	1,265,999	1,392,715
Total liabilities	582,287	55,220	25,045	113,058	46,818	-	1,585,297	2,407,725	2,154,708
Fund equity:									
Investment in general fixed assets	-	-	-	-	-	3,573,002	-	3,573,002	3,237,889
Contributed capital (notes 7 and 10)	-	-	-	-	2,636,363	-	-	2,636,363	2,698,020
Retained earnings - unreserved	-	-	-	-	388,784	-	-	388,784	401,404
Fund balance (deficit):									
Reserved for debt service	-	-	116,222	-	-	-	-	116,222	126,946
Reserved for prepaid insurance and deposits	22,047	-	-	-	-	-	-	22,047	22,680
Unreserved:									
Designated for subsequent years' expenditures (note 7)	-	16	-	110,998	-	-	-	110,998	170,385
Undesignated	(44,476)	-	-	-	-	-	-	(44,460)	217,979
Total retained earnings and fund balance	(22,429)	16	116,222	110,998	388,784	-	-	593,591	537,990
Total fund equity	(22,429)	16	116,222	110,998	3,025,147	3,573,002	-	6,802,956	6,875,303
	\$ 559,858	55,236	141,267	224,056	3,071,965	3,573,002	1,585,297	9,210,681	9,030,011

See accompanying notes to general purpose financial statements.

CITY OF HARAHAN, LOUISIANA

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

Year ended December 31, 1998
(with comparative totals for the year ended December 31, 1997)

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	1998	1997
					(Memorandum Only)	
Revenues:						
Taxes	\$ 562,340	869,637	-	-	1,431,977	1,392,987
Licenses and permits	637,494	-	-	-	637,494	621,096
Intergovernmental	504,680	-	-	-	504,680	422,804
Charges for services	463,755	-	-	-	463,755	472,058
Fines and forfeits	420,496	-	-	-	420,496	413,726
Gaming revenue	133,654	-	-	-	133,654	125,444
Interest income	33,415	1,623	6,303	9,117	50,458	64,629
Miscellaneous	54,849	-	-	-	54,849	98,247
Total revenues	2,810,683	871,260	6,303	9,117	3,697,363	3,610,991
Expenditures:						
Current:						
General government and other departments	708,372	-	-	-	708,372	710,774
Public safety - police	1,478,286	-	-	-	1,478,286	1,089,592
Public safety - fire	673,900	-	-	-	673,900	837,364
Highways and streets	217,047	-	-	-	217,047	434,284
Sanitation	485,087	-	-	-	485,087	412,625
Recreation	258,920	-	-	-	258,920	244,231
Debt service (note 6):						
Redemption of bonds	-	-	126,715	-	126,715	170,862
Interest and fiscal charges	-	-	97,085	-	97,085	99,464
Capital outlay	-	-	-	188,504	188,504	73,984
Total expenditures	3,821,612	-	223,800	188,504	4,233,916	4,073,180
Excess (deficiency) of revenues over expenditures	(1,010,929)	871,260	(217,497)	(179,387)	(536,553)	(462,189)
Other financing sources (uses):						
Proceeds of capital leases	203,370	-	-	-	203,370	110,854
Operating transfers in	664,505	-	206,773	120,000	991,278	963,640
Operating transfers out	(120,000)	(871,278)	-	-	(991,278)	(963,640)
Total other financing sources (uses)	747,875	(871,278)	206,773	120,000	203,370	110,854
Deficiency of revenues and other sources over expenditures and other uses	(263,054)	(18)	(10,724)	(59,387)	(333,183)	(351,335)
Fund balances at beginning of year	240,625	34	126,946	170,385	537,990	889,325
Fund balances (deficit) at end of year	(22,429)	16	116,222	110,998	204,807	537,990

See accompanying notes to general purpose financial statements.

CITY OF HARAHAN, LOUISIANA

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

Year ended December 31, 1998

	General Fund		Special Revenue-Sales Tax Fund		Variance - Favorable (Unfavorable)
	Revised Budget	Actual	Revised Budget	Actual	
Revenues:					
Taxes	\$ 562,000	562,340	872,500	869,637	(2,863)
Licenses and permits	627,000	637,494	-	-	-
Intergovernmental	473,437	504,680	-	-	-
Charges for services	479,800	463,755	-	-	-
Fines and forfeits	367,500	420,496	-	-	-
Interest, gaming revenue and miscellaneous income	220,918	221,918	1,300	1,623	323
Total revenues	2,730,655	2,810,683	873,800	871,260	(2,540)
Expenditures:					
General government and other departments	700,187	708,372	-	-	-
Public safety - police	1,155,826	1,478,286	-	-	-
Public safety - fire	687,181	673,900	-	-	-
Highways and streets	215,176	217,047	-	-	-
Sanitation	466,965	485,087	-	-	-
Recreation	256,266	258,920	-	-	-
Total expenditures	3,481,601	3,821,612	-	-	-
(Deficiency) excess of revenues over expenditures	(750,946)	(1,010,929)	873,800	871,260	(2,540)
Other financing sources:					
Proceeds of capital lease	-	203,370	-	-	-
Operating transfers in	653,000	664,505	-	-	-
Operating transfers out	(120,000)	(120,000)	(873,800)	(871,278)	2,522
Total other financing sources	533,000	747,875	(873,800)	(871,278)	2,522
Deficiency of revenues and other sources over expenditures and other uses	(217,946)	(263,054)	-	(18)	(18)
Fund balances at beginning of year	240,625	240,625	-	34	34
Fund balances at end of year	\$ 22,679	(22,429)	-	16	16

See accompanying notes to general purpose financial statements.

CITY OF HARRAHAN, LOUISIANA

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

Years ended December 31, 1998 and 1997

	1998	1997
Operating revenues:		
Charges for services	\$ 372,574	372,548
Property taxes	40,333	39,428
Total operating revenues	412,907	411,976
Operating expenses:		
Personnel services	-	2,799
Contractual services	315,124	307,966
Supplies, maintenance and repairs	108,038	89,389
Depreciation	66,991	66,991
Total operating expenses	490,153	467,145
Operating loss	(77,246)	(55,169)
Nonoperating revenues:		
Other income	-	4,902
Interest income	2,969	1,851
Net loss	(74,277)	(48,416)
Add depreciation on contributed fixed assets (note 10)	61,657	61,657
Increase (decrease) in retained earnings	(12,620)	13,241
Retained earnings at beginning of year	401,404	388,163
Retained earnings at end of year	\$ 388,784	401,404

See accompanying notes to general purpose financial statements.

CITY OF HARRAHAN, LOUISIANA

Statements of Cash Flows -
Proprietary Fund Type - Enterprise Fund

Years ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Cash received from customers	\$ 391,565	360,499
Taxes received	40,333	39,428
Cash paid to suppliers for goods or services	(402,789)	(372,565)
Cash paid to employees for services	-	(3,162)
Net cash provided by operating activities	<u>29,109</u>	<u>24,200</u>
Cash flows from noncapital activities:		
Other revenue	-	4,902
Federal grants	-	21,044
Net cash provided by noncapital activities	<u>-</u>	<u>25,946</u>
Cash flow from capital and related financing activities - acquisition of property, plant and equipment	<u>-</u>	<u>(25,596)</u>
Cash flows from investing activities - interest received	<u>2,969</u>	<u>1,851</u>
Net increase in cash	32,078	26,401
Cash and cash equivalents at beginning of year	<u>67,560</u>	<u>41,159</u>
Cash and cash equivalents at end of year	\$ <u><u>99,638</u></u>	\$ <u><u>67,560</u></u>

The reconciliation of operating loss to net cash provided by (used in) operating activities for the years ended December 31, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</u>
Operating loss	\$ (77,246)	(55,169)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	66,991	66,991
Increase (decrease) in accounts receivable	18,990	(9,250)
Increase (decrease) in accounts payable and accrued expenses	42,406	(29,717)
Increase (decrease) in due to other funds	(22,032)	51,345
Net cash provided by operating activities	\$ <u><u>29,109</u></u>	\$ <u><u>24,200</u></u>

See accompanying notes to general purpose financial statements.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

(1) Summary of Significant Accounting Policies

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

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

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

(a) Reporting Entity

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

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

(b) Basis of Presentation - Fund Accounting

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

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

Governmental Fund Types

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

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

CITY OF HARAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

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

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

Proprietary Fund Type

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

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

Account Groups

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

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

(c) *Basis of Accounting*

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

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

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

CITY OF HARAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

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

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

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

(d) *Encumbrances*

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

(e) *Cash and Investments*

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

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

(f) *General Fixed Assets*

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

Depreciation is not provided on general fixed assets.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

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

(h) *Accrued Vacation*

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

(i) *Fund Equity*

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

(j) *Total Columns*

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

(k) *Comparative Data*

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

(2) *Budgetary Procedures and Budgetary Accounting*

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

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

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

(3) Cash and Investments

At December 31, 1998, the City has the following cash and cash equivalents:

Demand deposits	\$ 470,979
U.S. Treasury	<u>141,267</u>
Total cash and cash equivalents	<u>\$ 612,246</u>

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

At December 31, 1998, cash and time certificates of deposit are entirely insured or collateralized with securities held by a mutually acceptable third-party financial institution in the City's name, which is the lowest credit risk as defined by the Governmental Accounting Standards Board. The bank balances and collateralization for deposit at December 31, 1998 are as follows:

Total bank balances	\$ <u>513,596</u>
Federal deposit insurance	218,287
Pledged securities	<u>1,505,613</u>
Total collateral	\$ <u>1,723,900</u>
Excess collateral	\$ <u>1,210,304</u>

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

(4) Property Tax

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

The assessed value of the property is determined by the Jefferson Parish assessor's office. The assessed value at January 1, 1998, upon which the 1998 levies were based, was \$41,508,109. The combined 1998 tax rate was \$14.72 per \$1,000 of assessed valuation. Of this amount, \$13.71 was available for general operations and \$1.01 was available for sewerage operations and maintenance.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

(5) Property, Plant and Equipment

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

	<u>January 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1998</u>
Land, land improvements and buildings	\$ 1,457,684	25,931	-	1,483,615
Transportation equipment	660,715	249,170	-	909,885
Other equipment	909,566	43,090	-	952,656
Furniture and fixtures	21,660	-	-	21,660
Computer equipment	188,264	16,922	-	205,186
	<u>\$ 3,237,889</u>	<u>335,113</u>	<u>-</u>	<u>3,573,002</u>

A summary of proprietary fund type property, plant and equipment at December 31, 1998 is as follows:

		<u>Estimated useful life in years</u>
Land	\$ 7,121	-
Rights of way	6,606	-
Sewerage collection system	3,526,179	75
Sewerage treatment plant	853,687	50
Vehicles	41,344	5
Furniture	38,898	10
	<u>4,473,835</u>	
Less accumulated depreciation	<u>(1,542,427)</u>	
	<u>\$ 2,931,408</u>	

(6) General Obligation Bonds and Capital Leases

The following is a summary of long-term debt changes for the year ended December 31, 1998:

	<u>January 1, 1998</u>	<u>Retirements</u>	<u>December 31, 1998</u>
General Long-Term Debt account group	\$ <u>1,392,715</u>	<u>126,716</u>	<u>1,265,999</u>

The City is subject to the Municipal Finance Law of the State of Louisiana which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 1998 is \$4,150,811.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

Sales tax refunding and improvement bonds, payable at December 31, 1998, is comprised of the following:

\$1,845,000 1989 Sales Tax Refunding and Improvement Bonds due in monthly installments of \$18,400 including interest through June 1, 2006, at various interest rates \$ 1,265,999

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payments of \$391,078, are as follows:

Year ending December 31	
1999	\$ 220,800
2000	220,800
2001	220,800
2002	220,800
2003-2007	<u>773,877</u>
	\$ <u>1,657,077</u>

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

Monthly deposits of \$18,400 for both interest and principal are required to be made from the Sales Tax Special Revenue to the Debt Service Fund. The debt service fund accumulated balance at December 31, 1998 was \$116,222.

The City is in compliance with its debt covenants at December 31, 1998.

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

During 1997, the City entered into a capital lease for the purchase of the fire truck. Lease terms, at an interest rate of 5.7%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1:			
1999	\$ 36,914	4,320	41,234
2000	<u>39,014</u>	<u>2,220</u>	<u>41,234</u>
	\$ <u>75,928</u>	<u>6,540</u>	<u>82,468</u>

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1,			
1999	\$ 33,019	10,022	43,041
2000	38,075	8,879	46,954
2001	40,343	6,611	46,954
2002	42,746	4,208	46,954
2003	45,293	1,661	46,954
2004	3,894	19	3,913
	<u>\$ 203,370</u>	<u>31,400</u>	<u>234,770</u>

(7) Equity

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

Contributed Capital - City of Harahan - This amount includes contributions by the City, property owners and federal grantors to the District less previously accumulated depreciation on the related improvements. There were no contributions made to the District during 1998.

(8) Interfund Balances

Individual fund interfund receivable and payable balances as of December 31, 1998 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 115,751	22,011
Special Revenue Fund	17,802	55,220
Debt Service Fund	-	25,045
Capital Projects Fund	-	53,288
Enterprise Fund - Sewerage District	22,011	-
	<u>\$ 155,564</u>	<u>155,564</u>

(9) Pension Plans

The City participates in the State of Louisiana Municipal Police Employees' Retirement System (the Policemen's Plan), a statewide defined benefit retirement plan; the Policemen's Plan covers police employees. Employees contribute 7.5% of their salary (which includes State Supplemental pay but excludes overtime pay); the City contributes 9%. The City's contribution to the Policemen's Plan in 1998 was \$59,286. Covered payroll for the Policemen's Plan amounted to \$661,471 for 33 employees of the Police Department. Total payroll expense for the police department was \$978,679. Additional plan information is included in the annual report of the Policemen's Plan.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

As of September 1, 1998, the City began participating in the Louisiana Firefighters' Retirement System (the Firemen's Plan), a statewide defined benefit plan; the Firemen's Plan covers fire employees. Employees contribute 8% of their salary (which includes State Supplemental pay but excludes overtime pay); the city contributes 9%. The City's contribution to the Firemen's Plan in 1998 was \$2,193. Covered payroll for the Firemen's Plan amounted to \$24,372 for 2 employees of the Fire Department. Total payroll expense for the Fire Department was \$471,333. Additional plan information is included in the annual report of the Firemen's Plan.

Other City employees are not included in any pension plans.

The "pension benefit obligation" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The latest actuarial valuation of the Plans are as of June 30, 1998. In the valuation, the pension benefit obligation was not disclosed. The valuation was made on the "Entry Age Normal" cost method. Under this method, the actuarial present value of projected benefits of each individual included in the valuation is allocated a level basis as percentage of payroll for each participant between entry age and assumed retirement age. The portion of this actuarial present value allocated to the valuation year is called normal cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal cost is called the actuarial accrued liability. As of June 30, 1998, the Policemen's Plan was under-funded by \$68,156,543. As of June 30, 1998, the Firefighters' Plan was over-funded by \$54,959,655. The City's contributions represent less than 1% of total contributions required of all participating entities of the Plans.

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

Membership is voluntary for any full-time firefighter or employees by a municipality of the State of Louisiana engaged in fire protection, and earning at least three hundred seventy-five dollars per month

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 1998

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

(10) Contributed Capital

An analysis of contributed capital follows:

	Contributed capital January 1, 1998	Additions	Depreciation	Contributed Capital December 31, 1998
Property owners	\$ 445,852	-	10,189	435,663
City of Harahan	1,858,400	-	42,469	1,815,931
Federal grants	393,768	-	8,999	384,769
	<u>\$ 2,698,020</u>	<u>-</u>	<u>61,657</u>	<u>2,636,363</u>

(11) Commitments

A substantial judgment has been rendered against the City and an individual employee of the City in a suit filed against the City by a former employee. The judgment, totaling \$600,000 plus interest and legal fees, has been stayed pending disposition of the case on appeal. In the opinion of the City's legal counsel and management, the ultimate disposition of this matter cannot be predicted at this time.

The City is a defendant in several other lawsuits and claims for which the ultimate liability and the amount of damage are unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRAHAN, LOUISIANA

Required Supplementary Information under GASB Technical Bulletin 99-1

Year 2000 Disclosures (unaudited)

The following is a report on the Y2K compliance procedures in the format recommended by the Governmental Accounting Standards Board (GASB) Technical Bulletin as it relates to the City-Parish in making disclosures regarding its state of readiness in addressing the Year 2000 issue.

GASB Technical Bulletin 99-1 describes four stages required to address Year 2000 issues. These stages include:

- Awareness Stage
- Assessment Stage
- Remediation Stage
- Validation/Testing Stage

Awareness Stage

This stage involves establishing a budget and project plan for dealing with the Year 2000 issues. On or about December 1, 1998, Mayor Provino Mosca, following the guidelines as set forth in Governor Foster's Executive Orders MJF98-04 and MJF96-50, and the Louisiana Municipal Association contacted Phoenix Data Systems to provide services in regard to potential Y2K issues as they relate to the City of Harahan. Generally, the time line for these actions follows those set forth in the aforementioned executive orders. These orders mandated that preparation should be substantially completed by July 1, 1999. The schedule adopted by the City of Harahan is as follows:

Action	Due Date
Identify at risk equipment and software	2/1/99
Contact appropriate vendors and financial institutions	2/14/99
Run Y2K analysis software on appropriate computer equipment	3/15/99
Change equipment and software as needed	5/31/99
Reevaluated any equipment and software as needed	7/1/99

Funding for such activities were covered by the general fund.

Assessment Stage

This stage consist of identifying at risk equipment and software. These items are not limited to the City of Harahan. Whenever possible those vendors and services which were critical to the operation of the City were also included. In this case it was found that Regions Bank, the financial institution of the City, would be contacted regarding their Y2K compliance.

An issue that did come under examination was that of the Harahan Police Department. The current system is used to track statistics and perform other duties as related to the recordkeeping department. Due to budget considerations a full analysis of the system was not possible. This action can be justified because in the event of a total failure of the system (a scenario that is not likely to occur) the well being and safety of the citizens would not be directly affected. A similar scenario exist in the first department.

While full analysis of these two systems is not possible at this time, a further study and appropriate action will be accomplished as resources become available.

Remediation Stage

During this stage actual changes in the equipment and software are made. Any appropriate upgrades and replacements are considered and implemented. As of this date no mission critical issues that would require such updates or replacements have been uncovered.

Validation/Testing Stage

During this stage testing of any upgraded or replaced systems take place. Since no such activities have yet been required, this activity has not been needed.

Summary

The City of Harahan is well aware of the issues involved in Y2K compliance and the effects such issues can have on the safety and well-being of its citizens. It is currently making every effort possible to ensure that critical services will be impacted as little as possible. The primary financial institution of the City, Regions Bank, has been contacted and has supplied required Y2K compliance documentation. The major outstanding issues at this time involves two of the software vendors to the City, Diamond Software and Delta Software. Neither of these companies have responded to request for information.

Schedule

CITY OF HARRAHAN, LOUISIANA

Schedule of Compensation Paid to Aldermen

For the year ended December 31, 1998

Martha Cimo	\$	6,120	6,120
Patrick Donelon		6,120	6,120
Carlo Ferrara		6,120	6,120
Paul Johnston		6,456	6,456
Bryan St. Cyr		6,120	6,120
		<u> </u>	<u> </u>
	\$	<u>30,936</u>	<u>30,936</u>

See accompanying independent auditors' report.



Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Report On compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Councilmen
City of Harahan:

We have audited the financial statements of the City of Harahan (the City) as of and for the year ended December 31, 1998, and have issued our report thereon dated June 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* except as follows:

The City incurred a deficit in the General Fund of \$22,429 (LSA-RS 39:1301-1316).

The City's actual expenditures in the general fund exceeded its budgeted expenditures of \$3,481,601 by \$340,011 (LSA-RS 39:1301-1316).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



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

KPMG LLP

June 25, 1999



City of Harahan

6437 Jefferson Highway
Harahan, Louisiana 70123
Phone (504) 737-6383
FAX (504) 737-6384

PROVINO MOSCA
Mayor

SANDRA B. MADER
Administrative Assistant

July 9, 1999

CITY COUNCIL

PETER L. DALE
PAUL D. JOHNSTON
KERRY PAUL LAURICELLA
BRYAN J. ST. CYR
TIM WALKER

MARGARET BROUSSARD
City Clerk

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

RE: Auditor's Report for the year ended 12/31/98 (Report
on Compliance p. 22)

Dear Mr. Kyle:

The following is the City's corrective action plan in response to non compliance items stated in the Auditor's report for the Year ended 12/31/98 (p. 22).

1. The City incurred a deficit in the General Fund of \$22,429 (LSA-RS39:1301-1316).

The City incurred the deficit due to some extraordinary legal expenses involving a one million dollar judgment against the City. The City paid extra legal costs of \$52,827. In addition, the City had higher landfill dumping costs by \$18,122.

The City will reduce the 1998 deficit by providing for it as a special line item in the 1999 budget.

2. The City's actual expenditures in the general fund exceeded its budgeted expenditures by \$340,011 (LSA-RS 39: 1301-1316).

In 1999 the City is implementing a line item budget by department to provide better control over spending by departments. The administration will amend the budgets more frequently to prevent departments from spending over 5%. The City is presently reducing costs through hiring and salary freezes. In addition, each department head has been instructed to watch all expenditures very closely and start looking for ways to reduce costs.

Through the above corrective action measures the City intends to be in compliance with the above items in 1999 and in the future.

Sincerely,

THE CITY OF HARRAHAN

Provino Mosca

Provino Mosca
Mayor