

CITY OF HARAHAN, LOUISIANA
General Purpose Financial Statements and Schedules
December 31, 2003
(with comparative totals for December 31, 2002)
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 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 8-11-04

CITY OF HARAHAN, LOUISIANA

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Independent Auditors' Report

The Honorable Mayor and City Council
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, 2003, 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 auditing standards generally accepted in the United States of America 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, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary financial information listed in the table of contents 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 stated in all material respects in relation to the general purpose financial statements, taken as a whole.

Metairie, Louisiana
May 27, 2004

CITY OF HARAHAN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 2003
(with comparative totals for December 31, 2002)

| | Governmental Fund Types | | | Proprietary Fund Type | | Account Groups | | Totals | |
|---|-------------------------|----------------------|--------------|-----------------------|------------|----------------|----------------|------------------------|------------|
| | General | Special Revenue Fund | Debt Service | Capital Projects | Enterprise | Fixed Assets | Long-term Debt | (Memorandum Only) 2003 | 2002 |
| Assets | | | | | | | | | |
| Cash (note 3) | \$ 1,159,882 | 157 | 544,664 | 101,669 | 21,593 | - | - | 1,827,965 | 1,173,016 |
| Receivables: | | | | | | | | | |
| Sewerage fees | - | - | - | - | 52,518 | - | - | 52,518 | 16,194 |
| Other | 196,500 | 53,617 | 33,970 | - | - | - | - | 284,087 | 599,800 |
| Due from other funds (note 8) | 421,607 | - | - | 23,307 | - | - | - | 444,914 | 353,100 |
| Prepaid insurance | 7,700 | - | - | - | - | - | - | 7,700 | 89,680 |
| Property, plant and equipment - net where applicable of accumulated depreciation (note 5) | - | - | - | - | 3,053,326 | 3,537,162 | - | 6,590,488 | 6,605,422 |
| Amount available in debt service fund | - | - | - | - | - | - | 350,103 | 350,103 | 341,295 |
| Amount to be provided for general obligation debt | - | - | - | - | - | - | 3,409,218 | 3,409,218 | 3,599,091 |
| | \$ 1,785,689 | 53,774 | 578,634 | 124,976 | 3,127,437 | 3,537,162 | 3,759,321 | 12,966,993 | 12,777,598 |
| Liabilities and Fund Equity | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Payables: | | | | | | | | | |
| Trade and other | 292,179 | - | - | 106,220 | 213,933 | - | - | 612,332 | 489,290 |
| Payroll taxes and other | 30,477 | - | - | - | - | - | - | 30,477 | 8,518 |
| Accrued salaries | 147,150 | - | - | - | - | - | - | 147,150 | 142,908 |
| Accrued vacation pay and compensation time | 219,900 | - | - | - | - | - | - | 219,900 | 219,976 |
| Deferred revenue | 723,189 | - | - | - | - | - | - | 723,189 | 518,477 |
| Due to other funds (note 8) | 23,307 | 53,617 | 228,531 | - | 139,459 | - | - | 444,914 | 353,100 |
| Capital leases payable (note 6) | - | - | - | - | - | - | 309,321 | 309,321 | 400,386 |
| Loan payable (note 6) | - | - | - | - | 300,000 | - | - | 300,000 | 350,000 |
| General obligation bonds (note 6) | - | - | - | - | - | - | 3,450,000 | 3,450,000 | 3,540,000 |
| Total liabilities | 1,436,202 | 53,617 | 228,531 | 106,220 | 653,392 | - | 3,759,321 | 6,237,283 | 6,022,655 |
| Contingencies (Note 11) | - | - | - | - | - | - | - | - | - |
| Fund equity: | | | | | | | | | |
| Investment in general fixed assets | - | - | - | - | - | 3,537,162 | - | 3,537,162 | 3,446,993 |
| Contributed capital (notes 7 and 10) | - | - | - | - | 2,335,824 | - | - | 2,335,824 | 2,419,484 |
| Retained earnings - unreserved | - | - | - | - | 138,221 | - | - | 138,221 | 180,132 |
| Fund balance: | | | | | | | | | |
| Reserved for debt service | - | - | 350,103 | - | - | - | - | 350,103 | 341,295 |
| Reserved for prepaid insurance | 7,700 | - | - | - | - | - | - | 7,700 | 89,680 |
| Unreserved: | | | | | | | | | |
| Designated - capital projects | - | - | - | 18,756 | - | - | - | 18,756 | 111,518 |
| Undesignated | 341,787 | 157 | - | - | - | - | - | 341,944 | 165,841 |
| Total retained earnings and fund balance | 349,487 | 157 | 350,103 | 18,756 | 138,221 | - | - | 856,724 | 888,466 |
| Total fund equity | 349,487 | 157 | 350,103 | 18,756 | 2,474,045 | 3,537,162 | - | 6,729,710 | 6,754,943 |
| | \$ 1,785,689 | 53,774 | 578,634 | 124,976 | 3,127,437 | 3,537,162 | 3,759,321 | 12,966,993 | 12,777,598 |

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, 2003
(with comparative totals for December 31, 2002)

| | Governmental Fund Types | | | | Totals (Memorandum Only) | |
|---|-------------------------|--------------------|------------------|---------------------|-----------------------------|------------------|
| | General | Special Revenue | Debt Service | Capital Projects | 2003 | 2002 |
| Revenues: | | | | | | |
| Taxes | \$ 680,434 | 1,236,912 | - | - | 1,917,346 | 2,075,749 |
| Licenses and permits | 812,958 | - | - | - | 812,958 | 762,275 |
| Intergovernmental | 351,527 | - | - | - | 351,527 | 530,562 |
| Charges for services | 575,088 | - | - | - | 575,088 | 574,606 |
| Fines and forfeits | 368,934 | - | - | - | 368,934 | 253,417 |
| Gaming revenue | 138,877 | - | - | - | 138,877 | 141,979 |
| Interest income | 10,478 | 153 | 4,680 | 771 | 16,082 | 21,734 |
| Miscellaneous | 40,226 | - | - | - | 40,226 | 112,032 |
| Total revenues | 2,978,522 | 1,237,065 | 4,680 | 771 | 4,221,038 | 4,472,354 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government/non-departmental | 695,178 | - | - | - | 695,178 | 768,318 |
| Public safety - police | 1,279,228 | - | - | - | 1,279,228 | 1,377,658 |
| Public safety - fire | 728,693 | - | - | - | 728,693 | 698,057 |
| Highways and streets | 178,070 | - | - | - | 178,070 | 187,252 |
| Sanitation | 605,979 | - | - | - | 605,979 | 578,355 |
| Recreation | 202,753 | - | - | - | 202,753 | 267,476 |
| Debt service (note 6): | - | - | 90,000 | - | 90,000 | 85,000 |
| Redemption of bonds | - | - | 201,117 | - | 201,117 | 205,146 |
| Interest and fiscal charges | - | - | - | 229,850 | 229,850 | 206,639 |
| Capital outlay | - | - | 291,117 | 229,850 | 4,210,868 | 4,373,901 |
| Total expenditures | 3,689,901 | - | 291,117 | 229,850 | 4,210,868 | 4,373,901 |
| Excess (deficiency) of revenues over expenditures | (711,379) | 1,237,065 | (286,437) | (229,079) | 10,170 | 98,453 |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | 941,676 | - | 473,203 | 154,317 | 1,569,196 | 1,527,864 |
| Operating transfers out | (136,317) | (1,236,922) | (177,958) | (18,000) | (1,569,197) | (1,595,864) |
| Total other financing sources (uses) | 805,359 | (1,236,922) | 295,245 | 136,317 | (1) | (68,000) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 93,980 | 143 | 8,808 | (92,762) | 10,169 | 30,453 |
| Fund balances at beginning of year | 255,507 | 14 | 341,295 | 111,518 | 708,334 | 677,881 |
| Fund balances at end of year | \$ 349,487 | 157 | 350,103 | 18,756 | 718,503 | 708,334 |

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, 2003

| | General Fund | | Special Revenue-Sales Tax Fund | | Variance - Favorable (Unfavorable) |
|---|-------------------|-------------------|--------------------------------|--------------------|--|
| | Revised Budget | Actual | Revised Budget | Actual | |
| Revenues: | | | | | |
| Taxes | \$ 689,237 | 680,434 | 760,000 | 1,236,912 | 476,912 |
| Licenses and permits | 811,379 | 812,958 | - | - | - |
| Intergovernmental | 328,505 | 351,527 | - | - | - |
| Charges for services | 572,750 | 575,088 | - | - | - |
| Fines and forfeits | 339,510 | 368,934 | - | - | - |
| Interest, gaming revenue and miscellaneous income | 175,050 | 189,581 | - | 153 | 153 |
| Total revenues | 2,916,431 | 2,978,522 | 760,000 | 1,237,065 | 477,065 |
| Expenditures: | | | | | |
| General government/non-departmental | 705,449 | 695,178 | - | - | - |
| Public safety - police | 1,192,147 | 1,279,228 | - | - | - |
| Public safety - fire | 720,586 | 728,693 | - | - | - |
| Highways and streets | 173,779 | 178,070 | - | - | - |
| Sanitation | 553,000 | 605,979 | - | - | - |
| Recreation | 201,470 | 202,753 | - | - | - |
| Total expenditures | 3,546,431 | 3,689,901 | - | - | - |
| Excess (deficiency) of revenues over expenditures | (630,000) | (711,379) | 760,000 | 1,237,065 | 477,065 |
| Other financing sources: | | | | | |
| Operating transfers in | 760,000 | 941,676 | - | - | - |
| Operating transfers out | (130,000) | (136,317) | (760,000) | (1,236,922) | (476,922) |
| Total other financing sources | 630,000 | 805,359 | (760,000) | (1,236,922) | (476,922) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | - | 93,980 | - | 143 | 143 |
| Fund balances at beginning of year | 255,507 | 255,507 | 14 | 14 | - |
| Fund balances at end of year | \$ 255,507 | \$ 349,487 | 14 | 157 | 143 |

See accompanying notes to general purpose financial statements.

CITY OF HARAHAN, LOUISIANA

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

Years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|---|-------------------|----------------|
| Operating revenues: | | |
| Charges for services | \$ 360,386 | 372,221 |
| Total operating revenues | <u>360,386</u> | <u>372,221</u> |
| Operating expenses: | | |
| Contractual services | 346,783 | 336,744 |
| Supplies, maintenance and repairs | 84,779 | 119,434 |
| Depreciation | 105,103 | 105,103 |
| Total operating expenses | <u>536,665</u> | <u>561,281</u> |
| Operating loss | (176,279) | (189,060) |
| Non-operating revenue: | | |
| Property taxes | 50,379 | 48,981 |
| Interest income | 328 | 463 |
| Loss before transfers in | (125,572) | (139,616) |
| Transfers in | - | 68,000 |
| Net loss | (125,572) | (71,616) |
| Add depreciation on contributed fixed assets (note 10) | <u>83,661</u> | <u>83,661</u> |
| Increase (decrease) in retained earnings | (41,911) | 12,045 |
| Retained earnings at beginning of year | <u>180,132</u> | <u>168,087</u> |
| Retained earnings at end of year | <u>\$ 138,221</u> | <u>180,132</u> |

See accompanying notes to general purpose financial statements.

CITY OF HARAHAN, LOUISIANA

Statements of Cash Flows -
Proprietary Fund Type - Enterprise Fund

Years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|--|-------------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 324,062 | 365,968 |
| Cash paid to suppliers of goods or services | (303,669) | (437,223) |
| Net cash provided by (used in) operating activities | <u>20,393</u> | <u>(71,255)</u> |
| Cash flows from investing activities: | | |
| Interest received | 328 | 463 |
| Net cash provided by investing activities | <u>328</u> | <u>463</u> |
| Cash flows from capital related financing activities: | | |
| Payment on loan | (50,000) | (50,000) |
| Net cash used in capital financing activities | <u>(50,000)</u> | <u>(50,000)</u> |
| Cash flows from non-capital financing activities: | | |
| Taxes received | 50,379 | 48,981 |
| Transfer in from general fund | - | 68,000 |
| Net cash provided by non-capital financing activities | <u>50,379</u> | <u>116,981</u> |
| Net increase (decrease) in cash | 21,100 | (3,811) |
| Cash at beginning of year | <u>493</u> | <u>4,304</u> |
| Cash at end of year | \$ <u><u>21,593</u></u> | <u><u>493</u></u> |

The reconciliation of operating loss to net cash used in operating activities for the years ended December 31, 2003 and 2002 is as follows:

| | <u>2003</u> | <u>2002</u> |
|---|-------------------------|------------------------|
| Operating loss | \$ (176,279) | (189,060) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 105,103 | 105,103 |
| Increase in accounts receivable | (36,324) | (6,253) |
| Decrease in due from other funds | 139,446 | 20,021 |
| Decrease in accounts payable and accrued expenses | (11,553) | (1,066) |
| Net cash provided by (used in) operating activities | \$ <u><u>20,393</u></u> | <u><u>(71,255)</u></u> |

See accompanying notes to general purpose financial statements.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(1) Summary of Significant Accounting Policies

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 9,900 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:

(a) Reporting Entity

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

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

(b) Basis of Presentation - Fund Accounting

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

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

Governmental Fund Types

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

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

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(1) Summary of Significant Accounting Policies

(b) Basis of Presentation - Fund Accounting, (continued)

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

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

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

Proprietary Fund Type

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

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

Account Groups

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

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

(c) Basis of Accounting

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

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

CITY OF HARAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(1) Summary of Significant Accounting Policies

(c) Basis of Accounting, (continued)

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.

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

Cash includes amounts on hand and on deposit at financial institutions.

CITY OF HARAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(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. Asset acquisitions with a cost greater than \$1,000 are included in the general fixed assets account group.

(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 contribute 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. An employee has a probationary period of 6 months before any vacation time can be earned. For all employees with 1 year of continuous service, the City allows 1 week of vacation to be earned per year. For employees with between 2 and 5 years of continuous service, the City allows 2 weeks vacation time per year. For employees with 6-10 years of employment, 3 weeks of vacation time per year is earned. For employees with 10 years or more of continuous service, 4 weeks of vacation pay is earned per year. Earned vacation time may be carried forward, 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 accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(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.

(l) 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 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 general purpose financial statements are as follows:

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (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.

CITY OF HARRAHAN, LOUISIANA
Notes to General Purpose Financial Statements
December 31, 2003

(3) Cash

At December 31, 2003, the City has \$1,902,944 in demand deposits at two local banks.

The bank balances and collateralization for deposit at December 31, 2003 are as follows:

| | | | |
|---------------------------|--|--------|----------------------|
| Total bank balances | | \$ | <u>1,902,944</u> |
| Federal deposit insurance | | | 100,000 |
| Pledged securities | | | <u>1,648,074</u> |
| Total collateral | | \$ | <u>1,748,074</u> |
| Collateral – deficit | | \$ | <u>154,870</u> |

Collateral investments are held in the name of the City by its agent and are classified as Category 1 investments under GASB 3 requirements. 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.

(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 December 1, and are delinquent on January 1.

The assessed value of the property is determined by the Jefferson Parish assessor's office. The assessed value at January 1, 2003, upon which the 2003 levies were based, was \$51,621,881. The combined 2003 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, 2003

(5) Property, Plant and Equipment

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

| | <u>January 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2003</u> |
|--------------------------------------|----------------------------|------------------|------------------|------------------------------|
| Land, land improvement and buildings | \$ 1,435,398 | 50,203 | - | 1,485,601 |
| Transportation equipment | 1,336,901 | 4,300 | - | 1,341,201 |
| Other equipment | 579,186 | 15,462 | - | 594,648 |
| Furniture and fixtures | 25,253 | 4,655 | - | 29,908 |
| Computer equipment | 70,255 | 15,549 | - | 85,804 |
| | <u>\$ 3,446,993</u> | <u>90,169</u> | <u>-</u> | <u>3,537,162</u> |

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

| | <u>January 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2003</u> |
|--------------------------------|----------------------------|------------------|------------------|------------------------------|
| Land | \$ 7,121 | - | - | 7,121 |
| Rights of way | 6,606 | - | - | 6,606 |
| Sewerage collection system | 3,858,719 | - | - | 3,858,719 |
| Sewerage treatment plant | 1,090,632 | - | - | 1,090,632 |
| Vehicles | 26,230 | - | - | 26,230 |
| Total asset cost | 4,989,308 | - | - | 4,989,308 |
| Less: Accumulated depreciation | 1,830,879 | 105,103 | - | 1,935,982 |
| Net assets | <u>\$ 3,158,429</u> | <u>105,103</u> | <u>-</u> | <u>3,053,326</u> |

Proprietary fund type fixed assets are depreciated using the following useful lives: Sewer collection system - 20-75 years; Sewer treatment plant - 10-50 years; and vehicles - 5 years.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

6) General Obligation Bonds, Capital Leases, and Loan Payable

a) General Obligation Bonds

The following is a summary of general obligation bond changes:

| | <u>January 1, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>December 31, 2003</u> |
|---|----------------------------|------------------|--------------------|------------------------------|
| General Long-Term Debt 1999 Sales Tax Refunding Bonds | \$ 3,540,000 | - | 90,000 | 3,450,000 |

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, 2003 is \$5,162,188.

Sales tax refunding and improvement bonds, payable at December 31, 2003, are comprised of the following:

| | |
|---|---------------------|
| \$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$95,000 to \$275,000 including interest through June 1, 2024, at various interest rates | <u>\$ 3,450,000</u> |
|---|---------------------|

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$2,562,313 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------|---------------------|------------------|------------------|
| July 15, 2004 | \$ 95,000 | 196,259 | 291,259 |
| 2005 | 95,000 | 191,699 | 286,699 |
| 2006 | 100,000 | 186,920 | 286,920 |
| 2007 | 105,000 | 181,820 | 286,820 |
| 2008 | 110,000 | 176,390 | 286,390 |
| 2009-2013 | 660,000 | 783,689 | 1,443,689 |
| 2014-2018 | 855,000 | 524,981 | 1,379,981 |
| 2019-2023 | 1,155,000 | 312,168 | 1,467,168 |
| 2024 | 275,000 | 8,387 | 283,387 |
| | <u>\$ 3,450,000</u> | <u>2,562,313</u> | <u>6,012,313</u> |

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

6) General Obligation Bonds, Capital Leases, and Loan Payable

a) General Obligation Bonds, (continued)

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

Commencing January 2001, a sum equal to the pro-rata amount of the interest falling due on the 1999 bonds on the next interest payment date and the pro-rata amount of the principal of the 1999 bonds falling due on the next principal payment date, together with any such additional proportionate sum as may be required to pay said principal and interest, shall be transferred from the Sales Tax Fund, monthly to the Sales Tax Bond Sinking Fund.

The City is in compliance with this debt covenant at December 31, 2003.

b) Capital Leases

During 2000, the City entered into a capital lease for the purchase of a fire truck with principal payments beginning in July 2000. Included in public safety-fire expenditures are principal payments of \$41,878 and interest payments of \$20,967 that were paid during 2003. This capital lease is secured by a security interest in the fire truck.

Lease terms, at an interest rate of 5.97%, are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|-------------------|-----------------|----------------|
| <u>July 15,</u> | | | |
| 2004 | \$ 44,379 | 18,466 | 62,845 |
| 2005 | 47,028 | 15,817 | 62,845 |
| 2006 | 49,836 | 13,009 | 62,845 |
| 2007 | 52,811 | 10,034 | 62,845 |
| 2008 | 55,963 | 6,882 | 62,845 |
| 2009 | 59,304 | 3,541 | 62,845 |
| | <u>\$ 309,321</u> | <u>67,749</u> | <u>377,070</u> |

c) Enterprise Fund Loan Payable

During 2000, the City entered into a long-term agreement with the management company administering the Sewer Fund to provide for capital and maintenance improvements. In return, the City committed the Sewer Fund to repay a maximum of \$500,000 to the management company without any stated interest. Construction services provided as of December 31, 2003 totaled \$500,000. Principal payments of \$50,000 were made during the year ended December 31, 2003. As of December 31, 2003, the total payments due under this agreement, including imputed interest, were \$300,000, payable in installments of \$50,000 annually through 2009.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(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.

(8) Interfund Balances

Individual fund interfund receivable and payable balances as of December 31, 2003 were as follows:

| | <u>Due from other funds</u> | <u>Due to other funds</u> |
|-------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 421,607 | 23,307 |
| Special Revenue Fund | | 53,617 |
| Debt Service Fund | | 228,531 |
| Capital Projects Fund | 23,307 | |
| Enterprise Fund - Sewerage District | | 139,459 |
| | <u>\$ 444,914</u> | <u>444,914</u> |

(9) Pension Plans

a.) Municipal Police Employees' Retirement Plan

Plan Description

For police personnel, the City contributes to the Municipal Police Employee' Retirement Plan, a cost sharing multi-employer defined benefit plan administered by the Municipal Police Employees' Retirement System (MPERS). MPERS provides retirement, death, and disability benefits to plan members and beneficiaries in accordance with state statutes. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-200.

Funding Policy

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 18.25%. Effective July 1, 2003, the City was required to contribute 15.25%. The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City's contribution for the years ended December 31, 2003, 2002, and 2001 were \$72,344, \$48,459, and \$53,593, respectively, equal to the required contributions for each year.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(9) Pension Plans, (continued)

b.) Louisiana Firefighters' Retirement Plan

Plan Description

For firefighting personnel, the City contributes to the Louisiana Firefighters' Retirement Plan, a cost sharing multiple employer defined benefit plan administered by the Louisiana Firefighters' Retirement System (LFRS). LFRS provides retirement, death, and disability benefits in accordance with state statutes. LFRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

Funding Policy

Plan members are required to contribute 8.0% of their annual salary and the City is required to contribute 9.0%. Effective July 1, 2003, the City was required to contribute 15.25%. The contribution requirements of the plan members and the City are established and may be amended by LFRS Board of Trustees in accordance with state statute. The City's contributions for the years ended December 31, 2003, 2002, and 2001 were \$33,539, \$16,976, and \$13,794, respectively, equal to the required contributions for each year.

Other City employees are not covered by a pension plan.

(10) Contributed Capital

An analysis of contributed capital follows:

| | Contributed capital January 1, 2003 | Additions | Depreciation | Contributed Capital December 31, 2003 |
|-----------------|--|------------------|---------------------|--|
| Property owners | \$ 386,917 | - | 14,122 | 372,795 |
| City of Harahan | 1,696,416 | - | 55,029 | 1,641,387 |
| Federal grants | 336,151 | - | 14,510 | 321,641 |
| | <u>\$ 2,419,484</u> | <u>-</u> | <u>83,661</u> | <u>2,335,823</u> |

In accordance with Governmental Accounting Standards Board No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City ceased crediting capital contributions for property and equipment to contributed capital. As they occur, such amounts are presented as capital contributions in the Statement of Revenues, Expenses and Changes in Retained Earnings.

CITY OF HARRAHAN, LOUISIANA

Notes to General Purpose Financial Statements

December 31, 2003

(11) Contingencies

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City does not expect any material adverse impact relating to these suits in excess of amounts currently accrued.

(12) Upcoming Pronouncements

The City will be adopting GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, in the 2004 fiscal year. The financial statements presentation will change the reporting model used by the City in reporting its financial position and operations.

CITY OF HARAHAN, LOUISIANA

Combining Balance Sheets

Debt Service Funds

December 31, 2003

| | <u>1999</u> <u>Sinking</u> | <u>1999</u> <u>Reserve</u> | <u>Total</u> |
|------------------------------------|-------------------------------|-------------------------------|----------------|
| Assets | | | |
| Cash and cash equivalents | \$ 249,918 | 294,746 | 544,664 |
| Accounts receivable | <u>33,970</u> | <u>-</u> | <u>33,970</u> |
| | <u>\$ 283,888</u> | <u>294,746</u> | <u>578,634</u> |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Payables - | | | |
| Due to other funds | \$ <u>227,958</u> | <u>573</u> | <u>228,531</u> |
| Total liabilities | <u>227,958</u> | <u>573</u> | <u>228,531</u> |
| Fund equity - fund balance - | | | |
| Reserved for debt service | <u>55,930</u> | <u>294,173</u> | <u>350,103</u> |
| Total fund equity | <u>55,930</u> | <u>294,173</u> | <u>350,103</u> |
| | <u>\$ 283,888</u> | <u>294,746</u> | <u>578,634</u> |

See accompanying independent auditors' report.

CITY OF HARAHAN, LOUISIANA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Debt Service Funds

Year ended December 31, 2003

| | <u>1999</u> <u>Sinking</u> | <u>1999</u> <u>Reserve</u> | <u>Total</u> |
|--|-------------------------------|-------------------------------|------------------|
| Revenues - | | | |
| Interest income | \$ 1,765 | 2,915 | 4,680 |
| Total revenues | <u>1,765</u> | <u>2,915</u> | <u>4,680</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Redemption of bonds | 90,000 | - | 90,000 |
| Interest and fiscal charges | <u>201,117</u> | <u>-</u> | <u>201,117</u> |
| Total expenditures | <u>291,117</u> | <u>-</u> | <u>291,117</u> |
| Excess (deficiency) of revenues over expenditures | <u>(289,352)</u> | <u>2,915</u> | <u>(286,437)</u> |
| Other financing sources (uses): | | | |
| Operating transfers in | 473,203 | - | 473,203 |
| Operating transfers out | <u>(177,958)</u> | <u>-</u> | <u>(177,958)</u> |
| Total other financing sources (uses) | <u>295,245</u> | <u>-</u> | <u>295,245</u> |
| Excess of revenues and other sources over expenditures and other sources | 5,893 | 2,915 | 8,808 |
| Fund balances at beginning of year | <u>50,037</u> | <u>291,258</u> | <u>341,295</u> |
| Fund balances at end of year | <u>\$ 55,930</u> | <u>294,173</u> | <u>350,103</u> |

See accompanying independent auditors' report.

CITY OF HARAHAN, LOUISIANA

Combining Balance Sheets

Capital Projects Funds

December 31, 2003

| | <u>1989 Capital Projects</u> | <u>1999 Capital Projects</u> | <u>Total</u> |
|------------------------------------|--------------------------------------|--------------------------------------|----------------|
| Assets | | | |
| Cash and cash equivalents | \$ 101,124 | 545 | 101,669 |
| Due from other funds | <u>23,307</u> | <u>-</u> | <u>23,307</u> |
| | <u>\$ 124,431</u> | <u>545</u> | <u>124,976</u> |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Payables - | | | |
| Trade and other | \$ <u>106,220</u> | <u>-</u> | <u>106,220</u> |
| Total liabilities | <u>106,220</u> | <u>-</u> | <u>106,220</u> |
| Fund equity - fund balance - | | | |
| Designated for capital projects | <u>18,211</u> | <u>545</u> | <u>18,756</u> |
| Total fund equity | <u>18,211</u> | <u>545</u> | <u>18,756</u> |
| | <u>\$ 124,431</u> | <u>545</u> | <u>124,976</u> |

See accompanying independent auditors' report.

CITY OF HARAHAN, LOUISIANA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Funds

Year ended December 31, 2003

| | 1989 Capital Projects | 1999 Capital Projects | Total |
|---|-----------------------------|-----------------------------|-----------|
| Revenues - | | | |
| Interest income | \$ 729 | 42 | 771 |
| Expenditures - | | | |
| Capital outlay | 229,850 | - | 229,850 |
| Deficiency of revenues over expenditures | (229,121) | 42 | (229,079) |
| Other financing sources (uses) - | | | |
| Operating transfers in | 154,317 | - | 154,317 |
| Operating transfers out | - | (18,000) | (18,000) |
| Total other financing sources (uses) | 154,317 | (18,000) | 136,317 |
| Deficiency of revenues and other sources over expenditures | (74,804) | (17,958) | (92,762) |
| Fund balances at beginning of year | 93,015 | 18,503 | 111,518 |
| Fund balances at end of year | \$ 18,211 | 545 | 18,756 |

See accompanying independent auditors' report.

Schedule 5

CITY OF HARAHAN, LOUISIANA

Schedule of Compensation Paid to Councilmen

Year ended December 31, 2003

| | |
|-------------------------------|------------------|
| Scott Blanchard | \$ 6,120 |
| Louis Butler | 6,120 |
| Provino Mosca (Mayor Pro Tem) | 6,456 |
| Roy Richardson | 6,120 |
| Tiffany Wilken | <u>6,120</u> |
| | <u>\$ 30,936</u> |

See accompanying independent auditors' report.



Postlethwaite & Netterville

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

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

We have audited the financial statements of City of Harahan, Louisiana (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 27, 2004. 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.

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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are included in the schedule of findings and questioned costs at 2003-1 and 2003-2.

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 the Harahan City Council, the City management, state awarding agencies, and the Louisiana Legislative Auditor 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 + Miller

Metairie, Louisiana
May 27, 2004

City of Harahan, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2003

Finding 2003-1 Security for Deposits

Criteria: LSA-RS 39:1225 requires that the security for deposits shall at all times be equal to 100% of the amount of collected funds to the credit of each depositing authority except that portion ensured by a governmental agency ensuring the bank which is organized in the United States.

Condition: As of December 31, 2003 the excess of collected fund on deposit with banks exceed the value of the security by \$154,870.

Effect: The City was exposed to risk of loss in the event of a failure by the bank and was not in compliance with State laws.

Recommendation: We recommend that the City monitor the collateral on a daily basis and that documentation of the procedures be provided for review each day.

Management Response: The City will review its current procedures and adjust them as appropriate. Such procedures will be documented.

City of Harahan, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2003

Finding 2003-2 Departmental Budgets

Criteria: LSA-RS 39:1311 provides that the adopted budget and duly authorized amendments shall constitute the authority of the political subdivision to incur liabilities and authorized expenditures.

Condition: The Public safety police and sanitation departments of the City expended \$87,081 and \$52,979 in excess of their respective budgets.

Effect: The City expended funds not authorized by its legally adopted budget.

Recommendation: Budget amendments should be adopted when changed operations or conditions require that expenditure will exceed budget.

Management Response: The City will more closely monitor the department expenditures during the year and submit budget amendment more timely during the year.

City of Harahan, Louisiana
Schedule of Prior Year Findings and Questioned Costs
December 31, 2003

Finding 2002-1 – Public Bid Requirements

Criteria: The Revised Statutes (LA. Rev. Stat. 8:2212) require the contracts in excess of \$15,000 shall be advertised and let by contract to the lowest responsible bidder; no public work shall be done and no such purchase shall be made except as provided in the public bid statutes. In addition, purchases between \$7,500 and \$15,000 shall be made by obtaining no less than three telephone or facsimile quotations.

Condition: During 2002, the City acquired police equipment for \$18,696, fire equipment for \$18,074, sewer equipment for \$18,630, and concrete work for \$21,619. These purchases were executed without compliance with the public bid requirements.

Questioned Cost: None.

Effect: Property was acquired by the City without public bid.

Recommendation: City officials should comply with the public bid requirements.

Management's Response: The City will require all departments to follow the public bid law when making purchases. This requirement will be controlled through the purchase order procedure.

Status: The City resolved the issue during 2003.

City of Harahan, Louisiana
Schedule of Prior Year Findings and Questioned Costs
December 31, 2003

Finding 2002-2 – Budget

Criteria: The State of Louisiana (LA Rev Stat. 39:1310) requires a budget amendment to be adopted when the total actual expenditures and other uses, within a fund, exceed the total budgeted expenditures and other uses by five percent or more.

Condition: For the year ended December 31, 2002, the general fund of the City had actual expenditures greater than budgeted expenditures by \$618,379 or 18%. The budget was not amended prior to December 31, 2002 to authorize the additional expenditures. Subsequent to year-end, a budget amendment was adopted to ratify the amounts expended.

Questioned Cost: None.

Effect: Actual expenditures exceeded budgeted expenditures by \$618,379 or 18%.

Recommendation: City officials should review the actual revenue and expenditure activity throughout the year to monitor compliance with the 5% variance requirements of state budget law.

Management's Response: City Officials have implemented a line item budget for each department. Purchases are monitored on a daily basis. The Mayor and Council are furnished copies of revenues and expenditures each month. Budget amendments will be made when a department has exceeded the 5% variance requirements.

Status: The City resolved the issue during 2003.