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**CITY OF HARRAHAN, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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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 7/27/11

**CITY OF HARRAHAN, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan, Louisiana, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, 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 June 29, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedule 3, page 38 is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental information on schedule 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Postlethwaite + Nettenville*

Metairie, Louisiana  
June 29, 2011

## CITY OF HARRAHAN, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

As financial management of the City government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Harahan, Louisiana. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the financial statements that begin with Statement A.

#### FINANCIAL HIGHLIGHTS

- Assets of the City's government exceeded its liabilities at the close of the most recent fiscal year by \$2,975,569 (*net assets*).
- During the year ended December 31, 2010, FEMA approved the forgiveness of a portion of the CDL loan and related accrued interest. Included on the Statement of Activities is a gain on forgiveness of debt of \$379,633 (principal) and \$50,129 (interest).
- As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balance of \$1,793,523.
- At December 31, 2010 unreserved fund balance for the General Fund was \$865,392, or 16% of total 2010 General Fund expenditures.
- The intergovernmental revenue of \$420,613, as reported on the governmental fund financial statements includes \$59,304 of Harahan police related grants, \$69,145 in reimbursements related to LGAP grants, \$55,861 in a community development grant and \$152,819 of parish transportation reimbursements. Included on the statement of changes in net assets are general government-FEMA expenditures of \$16,074.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

##### **Government-Wide Financial Statements**

The government-wide financial statements (see Statement A and B) are designed to be similar to those of private sector businesses in that all governmental and business-type activities are consolidated into columns which add to a total for the government. The statements combine all governmental funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the government.

CITY OF HARRAHAN, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

The Statement of Net Assets (Statement A) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities (Statement B) presents information showing how the government's net assets changed during the most recent fiscal year.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the City's general tax and other revenues. This statement is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the City's basic services including general government services (executive, legislative, judicial), public safety (fire and police), public works (sanitation and street and road maintenance), recreation and intergovernmental services.

These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer district) where the fee for service typically covers all or most of the cost of operations, including depreciation.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund (see Statement C and E) presentation is presented on a modified accrual basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principles (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City has presented the General Fund, Sales Tax Fund, Bond Sinking Fund, and Bond Reserve Fund as major funds. The one non-major governmental fund is presented in one column, titled Capital Projects Fund. Combining financial statements of the non-major funds can be found in the Combining and Individual Fund Statements that follow the basic financial statements.

*Proprietary Funds* encompass the enterprise fund on the fund financial statements. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Proprietary fund of the City is the Sewer District fund.

**CITY OF HARRAHAN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

Fund financial statements also allow the City to present *fiduciary funds*. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the activity reported on the business-type fund financial statements for enterprise funds (see Statement H) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation between government and government-wide because of the different measurement focus which is reflected on the page following each statement (see Statements D and F). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources and will show capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements.

**Capital Assets**

General capital assets include land, improvements to land, buildings, transportation equipment, other equipment, computer equipment, furniture and fixtures, and all other tangible assets that are used in operations which have initial useful lives greater than two years and exceed the government's capitalization threshold (see Financial Statement Note 1(f)). The City has capitalized all purchased general capital assets. Infrastructure assets (those placed into the government's maintenance through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2002. Governmental Accounting Standards Board Codification allows the City a transitional period for reporting infrastructure assets purchased prior to 2003 until 2007. Prior to the implementation of the new reporting model, no depreciation is charged on general capital assets.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning major fund budgetary comparisons. Required supplementary information can be found at Schedules 1 and 2.

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

**Government-Wide Financial Analysis**

The following table reflects the condensed Statement of Net Assets for 2010:

**City of Harahan, Louisiana**  
**Condensed Statement of Net Assets**  
**December 31, 2010**

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current and Other Assets	\$ 3,046,003	\$ 52,983	\$ 3,098,986
Restricted Assets	560,640	-	560,640
Capital Assets	<u>2,736,577</u>	<u>2,412,911</u>	<u>5,149,488</u>
Total Assets	<u>6,343,220</u>	<u>2,465,894</u>	<u>8,809,114</u>
<b>Liabilities:</b>			
Current Liabilities	1,855,226	150,915	2,006,141
Long-Term Liabilities	<u>3,827,404</u>	<u>-</u>	<u>3,827,404</u>
Total Liabilities	<u>5,682,630</u>	<u>150,915</u>	<u>5,833,545</u>
<b>Net Assets:</b>			
Invested in Capital Assets			
Net of Debt	2,524,117	2,412,911	4,937,028
Restricted	613,079	-	613,079
Unrestricted	<u>(2,476,606)</u>	<u>(97,932)</u>	<u>(2,574,538)</u>
Total Net Assets	<u>\$ 660,590</u>	<u>\$ 2,314,979</u>	<u>\$ 2,975,569</u>

For more detailed information see Statement A, the Statement of Net Assets. Approximately \$5,149,000 of the City's net assets as of December 31, 2010, reflects the government's investment in capital assets (land, buildings, infrastructure, transportation equipment, other equipment, computer equipment, and furniture and fixtures) less any related outstanding debt used to acquire those assets. The City government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another \$613,079 of the government's net assets is subject to external restrictions on how those assets may be used, such as sales tax approved by the electorate for specific purposes.

The table on the next page provides a summary of the changes in net assets for the year ended December 31, 2010:

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

**City of Harahan, Louisiana**  
**Condensed Statement of Activities**  
**For the Year Ended December 31, 2010**

	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>			
<b>Program Revenue:</b>			
Charges for Services	\$ 1,479,259	\$ 415,261	\$ 1,894,520
Operating Grants and Contributions	420,613	-	420,613
Capital Grants and Contributions	175,000	-	175,000
<b>General Revenue:</b>			
Ad valorem (property) taxes	1,065,448	201,310	1,266,758
Sales and use taxes	1,409,316	-	1,409,316
Other State Revenue not Restricted to Specific Program	277,903	-	277,903
Fines, forfeitures, and other	831,080	-	831,080
Interest income	14,580	-	14,580
Gain on forgiveness debt - principal and interest	429,762	-	429,762
Miscellaneous	53,007	-	53,007
<b>Total Revenues</b>	<b>6,155,968</b>	<b>616,571</b>	<b>6,772,539</b>
<b>Expenses:</b>			
General Government - FEMA	16,074	-	16,074
General Government - other	1,458,314	-	1,458,314
Public Safety	2,477,058	-	2,477,058
Public Works	272,763	-	272,763
Sewer	-	637,628	637,628
Sanitation	651,791	-	651,791
Recreation	267,957	-	267,957
Interest and Fiscal Charges	172,142	-	172,142
Depreciation	433,021	124,189	557,210
Amortization	10,475	-	10,475
<b>Total Expenses</b>	<b>5,759,595</b>	<b>761,817</b>	<b>6,521,412</b>
Increase (decrease) in Net Assets	396,373	(145,246)	251,127
Net Assets, January 1	264,217	2,460,225	2,724,442
Net Assets, December 31	<b>\$ 660,590</b>	<b>\$ 2,314,979</b>	<b>\$ 2,975,569</b>

**CITY OF HARRAHAN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

The government's net assets increased \$259,463 during the current year. *Governmental Activities* net assets increased \$396,373 in 2010, primarily due to FEMA forgiveness of the CDL loan for \$429,762 principal and accrued interest.

*Business Type Activities*' net assets decreased \$145,246 in 2010. Operating expenses related to supplies, maintenance and repairs increased by \$251,582 in 2010.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the government's governmental funds reported combined ending fund balances of \$1,793,523, a decrease of \$367,689 in comparison with the prior year. Certain balances in the fund balance are *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) designated for capital projects (\$182,575), (2) payment of debt service (\$613,079), or (3) prepaid insurance (\$123,620).

The General Fund is the chief operating fund of the City of Harahan, Louisiana. At the end of the current fiscal year, fund balance of the General Fund was \$989,012, which included an unreserved and undesignated balance of \$865,392 and \$123,620 reserved for prepaid insurance. The fund balance of the General Fund at the end of 2009 was \$1,392,938.

The fund balance of the Sales Tax Fund decreased from \$15,525 to \$8,857. The decrease was a result of the sales tax revenue being less than transfers to the General fund and Bond Sinking fund in 2010. Sales tax receipts of \$1,409,316 received during 2010 were transferred to the General fund (\$780,076) and the Bond Sinking fund (\$555,285).

**CITY OF HARRAHAN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

The fund balance of the Bond Sinking fund increased from \$226,069 to \$264,452. The Bond Sinking fund increased \$38,383 resulting from sales tax revenue being more than the transfers to the General fund and bond principal and interest payments.

The fund balance of the Bond Reserve fund increased from \$347,299 to \$348,627. The Bond Reserve fund increased \$1,328 resulting from interest income.

*Proprietary Funds:* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Fund (Enterprise Fund) at December 31, 2010 totaled \$2,314,979. The Fund had unrestricted net assets (deficit) of (\$97,932) and net assets of \$2,412,911 invested in capital assets, net of related debt. The fund received revenue from charges for services of \$415,261 and property tax revenues of \$201,310. General operating expenditures of the fund was \$637,628 and depreciation totaled \$124,189.

**General Fund Budgetary Highlights**

The City approved the final budget revision in December 2010. Budgeted revenues for 2010 of \$3,876,000 were lower than the prior year budgeted revenues of \$4,333,062 due to a decrease in budget amounts in the current year for intergovernmental revenues. Budgeted expenditures for 2010 of \$5,334,920 were less than the prior year budgeted expenditures of \$5,458,954 primarily due to no FEMA expenses budgeted for in the current year.

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

- Ad valorem tax revenue of \$1,065,448 is less than the budgeted amount of \$1,190,000 due to the budget not accounting for the approximate \$138,000 which is allocated to the Sewage fund.
- Intergovernmental revenue of \$420,613 is more than the budgeted amount of \$230,000 due to the revenue from the \$175,000 reimbursement for generators.
- Gaming revenue of \$277,903 is more than the budgeted amount of \$132,000 due to gaming revenue increasing related to the new truck stop.
- General government expenses of \$1,445,575 are less than the budgeted amount of \$1,652,700 due to a more conservative attitude taken toward expenses with the negative condition of the economy.

**CITY OF HARAHAN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

**Capital Asset and Debt Administration**

**Capital Assets:** The City of Harahan Government's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$5,149,488 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, computer equipment, other equipment, and furniture and fixtures. The total increase in the City's investment in capital assets for the current fiscal year was \$72,873 a 2.6% increase for governmental activities. For business-type activities, capital assets decreased \$124,189 or 4.9%.

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
Land, land improvement, and buildings	\$ 2,814,367	\$ 13,727	\$ 2,828,094
Infrastructure	740,592	-	740,592
Sewer treatment plant and system	-	5,111,518	5,111,518
Transportation equipment	1,790,179	26,230	1,816,409
Other equipment	1,221,960	-	1,221,960
Furniture and fixtures	58,722	-	58,722
Computer equipment	310,359	-	310,359
	<u>6,936,179</u>	<u>5,151,475</u>	<u>12,087,654</u>
Less: Accumulated Depreciation	<u>(4,199,602)</u>	<u>(2,738,564)</u>	<u>(6,938,166)</u>
	<u>\$ 2,736,577</u>	<u>\$ 2,412,911</u>	<u>\$ 5,149,488</u>

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

- Purchase of other equipment of \$217,688 including generators, vehicle accessories, rescue equipment and radio accessories
- Renovations to the City Buildings for \$17,680
- Purchase of two new police cars for \$29,300
- Street improvements of \$92,563

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

**CITY OF HARRAHAN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

**Long-Term Debt:** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,295,000. The debt represents bonds secured by specified revenue sources such as the general sales tax. The amount due on the Special Community Disaster Loan is \$320,367 and \$700,000 at December 31, 2010 and 2009, respectively. During 2010, the City submitted its application for forgiveness of the CDL loan to FEMA. During the year ended December 31, 2010, \$429,762 of the CDL loan and related accrued interest was forgiven. Additional information on debt administration can be found in Note 7 of this report.

**Economic Factors and Next Year's Budget and Rates**

The City generally receives approximately 25% of its revenues from sales tax levied by the City and 18% from ad valorem taxes; therefore, economic indicators are very important in forming the budget estimates for the City funds. Revenue assumptions are reviewed by the City Council and the Mayor. The uncertainties of the national, state and local economy requires prudent budgeting by the City's elected officials. The City continues to apply for federal and state grants in order to improve the quality of life for the people of the City.

**Requests For Information**

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

## CITY OF HARRAHAN, LOUISIANA

## Statement of Net Assets

December 31, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
Cash	\$ 2,057,027	\$ 8,745	\$ 2,065,772
Receivables	559,292	44,238	603,530
Prepays and other assets	331,623	-	331,623
Deferred finance fees	53,326	-	53,326
Restricted assets:			
Cash	560,640	-	560,640
Capital assets, net of depreciation:	2,736,577	2,412,911	5,149,488
Other	44,735	-	44,735
<b>Total assets</b>	<b>\$ 6,343,220</b>	<b>\$ 2,465,894</b>	<b>\$ 8,809,114</b>
<b>Liabilities:</b>			
Accounts, salaries and other payables	\$ 549,820	\$ 150,915	\$ 700,735
Deferred revenues	915,775	-	915,775
Interest payable	63,883	-	63,883
Long term liabilities			
Due within one year	325,748	-	325,748
Due after one year	3,827,404	-	3,827,404
<b>Total liabilities</b>	<b>\$ 5,682,630</b>	<b>\$ 150,915</b>	<b>\$ 5,833,545</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 2,524,117	\$ 2,412,911	\$ 4,937,028
Restricted for debt service	613,079	-	613,079
Unrestricted	(2,476,606)	(97,932)	(2,574,538)
<b>Total net assets</b>	<b>\$ 660,590</b>	<b>\$ 2,314,979</b>	<b>\$ 2,975,569</b>

See accompanying notes to financial statements.

Statement B

CITY OF HARAHAN, LOUISIANA

Statement of Activities

For the year ended December 31, 2010

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
					Governmental Activities	Business-type Activities
<b>Governmental Activities:</b>						
General government - FEMA	\$ 16,074	\$ -	\$ 3,210	\$ -	\$ (12,864)	\$ (12,864)
General government - other	1,276,074	881,940	335,407	175,000	116,273	116,273
Public safety - police	1,671,895	-	81,996	-	(1,589,899)	(1,589,899)
Public safety - fire	957,692	61,320	-	-	(896,372)	(896,372)
Public works	287,503	-	-	-	(287,503)	(287,503)
Sanitation	651,791	535,999	-	-	(115,792)	(115,792)
Recreation	282,928	-	-	-	(282,928)	(282,928)
Interest and fiscal charges	172,142	-	-	-	(172,142)	(172,142)
Depreciation	433,021	-	-	-	(433,021)	(433,021)
Amortization	10,475	-	-	-	(10,475)	(10,475)
Total governmental activities	<u>5,759,595</u>	<u>1,479,259</u>	<u>420,613</u>	<u>175,000</u>	<u>(3,684,723)</u>	<u>(3,684,723)</u>
<b>Business-Type Activities:</b>						
Sewer	761,817	415,261	-	-	(346,556)	(346,556)
Total governmental activities	<u>\$ 6,521,412</u>	<u>\$ 1,894,520</u>	<u>\$ 420,613</u>	<u>\$ 175,000</u>	<u>\$ (3,684,723)</u>	<u>\$ (4,031,279)</u>
<b>General revenues</b>						
Taxes:						
Ad valorem (property) taxes					1,065,448	1,266,758
Sales and use taxes					1,409,316	1,409,316
Other funding sources, including grants:						
Fines, forfeitures and other					831,080	831,080
Other state revenue not restricted to specific programs					277,903	277,903
Interest and investment earnings					14,580	14,580
Gain on forgiveness of debt - principal					379,633	379,633
Gain on forgiveness of debt - interest					50,129	50,129
Miscellaneous					53,007	53,007
Total general revenues					<u>4,081,096</u>	<u>4,282,406</u>
Changes in net assets					396,373	251,127
Net assets, beginning of year					264,217	2,724,442
Net assets, end of year					<u>\$ 660,590</u>	<u>\$ 2,975,569</u>

See accompanying notes to financial statements.

CITY OF HARAHAN, LOUISIANA

Governmental Funds - Balance Sheet

December 31, 2010

	Major Fund Types					Total
	General	Sales tax Fund	Sales Tax Bond Sinking	Sales Tax Bond Reserve	Capital Projects Fund	
<b>ASSETS</b>						
Cash	\$ 1,851,315	\$ 8,857	\$ 212,013	\$ 348,627	\$ 196,855	\$ 2,617,667
Receivables	426,119	133,173	-	-	-	559,292
Due from other funds	80,734	-	52,439	-	-	133,173
Prepaid insurance	331,623	-	-	-	-	331,623
Total assets	\$ 2,689,791	\$ 142,030	\$ 264,452	\$ 348,627	\$ 196,855	\$ 3,641,755
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 373,955	\$ -	\$ -	\$ -	\$ 14,280	\$ 388,235
Accrued salaries	161,585	-	-	-	-	161,585
Deferred revenue	1,165,239	-	-	-	-	1,165,239
Due to other funds	-	133,173	-	-	-	133,173
Total liabilities	1,700,779	133,173	#	#	14,280	1,848,232
<b>FUND BALANCES</b>						
Reserved for prepaid insurance	123,620	-	-	-	-	123,620
Reserved for debt service	-	-	264,452	348,627	-	613,079
Unreserved and designated for capital	-	-	-	-	182,575	182,575
Unreserved and undesignated	865,392	8,857	-	-	-	874,249
Total fund balances	989,012	8,857	264,452	348,627	182,575	1,793,523
Total liabilities and fund balances	\$ 2,689,791	\$ 142,030	\$ 264,452	\$ 348,627	\$ 196,855	\$ 3,641,755

See accompanying notes to financial statements.

## CITY OF HARAHAN, LOUISIANA

## Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets

December 31, 2010

Total fund balances – governmental funds	\$	1,793,523
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Parish as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 6,936,179	
Accumulated depreciation	<u>(4,199,602)</u>	2,736,577

The cost of bond issuance is reported as an expenditure in governmental funds, but is included as governmental activities in the government wide financial statement.

Bond issuance costs - 1999 and 2006 bond issues	\$ 178,035	
Accumulated amortization of bond issuance costs	<u>(124,709)</u>	53,326

Change in revenue accruals – Under modified accrual basis of accounting, revenues are not recognized unless they are deemed “available” to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues relating to FEMA activity.

\$ 249,464	249,464
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Accrual basis recognition of interest expenditures

\$ (63,883)	(63,883)
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Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All Liabilities – both current and long-term – are reported in the Statement of Net Assets.

Balances at December 31, 2010 are:

Bonds payable	\$ (3,295,000)	
Bond discount - 1999 and 2006 bond issues	93,685	
Accumulated amortization of bond discount	(48,950)	
Special Community Disaster Loan payable	(320,367)	
Capital lease payable	(212,460)	
Compensated absences	<u>(325,325)</u>	<u>(4,108,417)</u>

Net assets – governmental activities

\$	<u>660,590</u>
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See accompanying notes to financial statements.

CITY OF HARAHAN, LOUISIANA

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

For the year ended December 31, 2010

	Major Fund Types					Total
	General	Sales tax Fund	Sales Tax Bond Sinking	Sales Tax Bond Reserve	Capital Projects Fund	
<b>REVENUES</b>						
Taxes						
Ad valorem	\$ 1,065,448	\$ -	\$ -	\$ -	\$ -	\$ 1,065,448
Sales and Use	-	1,409,316	-	-	-	1,409,316
Intergovernmental	420,613	-	-	-	-	420,613
Fees, licenses and permits	881,940	-	-	-	-	881,940
Fines and forfeitures	831,080	-	-	-	-	831,080
Charges for services	597,319	-	-	-	-	597,319
Gaming revenue	277,903	-	-	-	-	277,903
Interest income	12,001	111	1,140	1,328	-	14,580
Other	53,007	-	-	-	-	53,007
<b>Total revenues</b>	<b>4,139,311</b>	<b>1,409,427</b>	<b>1,140</b>	<b>1,328</b>	<b>-</b>	<b>5,551,206</b>
<b>EXPENDITURES</b>						
General government - FEMA	16,074	-	-	-	-	16,074
General government - other	1,263,335	-	-	-	1,972	1,265,307
Public safety - police	1,689,752	-	-	-	-	1,689,752
Public safety - fire	1,009,798	-	-	-	-	1,009,798
Public works	260,874	-	-	-	24,706	285,580
Sanitation	647,991	-	-	-	3,800	651,791
Recreation	264,962	-	-	-	17,441	282,403
Debt service	-	-	200,000	-	-	200,000
Redemption of bonds	-	-	158,042	-	-	158,042
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	229,150	-	-	-	130,998	360,148
<b>Total expenditures</b>	<b>5,381,936</b>	<b>-</b>	<b>358,042</b>	<b>-</b>	<b>178,917</b>	<b>5,918,895</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,242,625)</b>	<b>1,409,427</b>	<b>(356,902)</b>	<b>1,328</b>	<b>(178,917)</b>	<b>(367,689)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	1,094,764	75,954	555,285	-	182,111	1,906,114
Operating transfers out	(256,065)	(1,490,049)	(160,000)	-	-	(1,906,114)
<b>Total other financing sources (uses)</b>	<b>838,699</b>	<b>(1,416,095)</b>	<b>395,285</b>	<b>-</b>	<b>182,111</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(403,926)</b>	<b>(6,668)</b>	<b>38,383</b>	<b>1,328</b>	<b>3,194</b>	<b>(367,689)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,392,938</b>	<b>15,525</b>	<b>226,069</b>	<b>347,299</b>	<b>179,381</b>	<b>2,161,212</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>989,012</b>	<b>8,857</b>	<b>264,452</b>	<b>348,627</b>	<b>182,575</b>	<b>1,793,523</b>

See accompanying notes to financial statements.

Statement F

CITY OF HARRAHAN, LOUISIANA

Reconciliation of the Governmental Funds' Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of Activities

For the year ended December 31, 2010

Total net changes in fund balances -- governmental funds \$ (367,689)

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

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

Capital outlays	\$ 360,148	
Depreciation expense	(433,021)	(72,873)

Bond issuance costs are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

Amortization expense - bond issuance costs	\$ (6,874)	(6,874)
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Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments and refunding of bonds payables and capital leases. Bond discount is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

Bond principal payments	\$ 200,000	
Amortization expense - bond premium	(3,601)	
Capital lease principal payments	76,762	
Forgiveness of CDL loan - principal	379,633	652,794

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

	\$ 175,000	175,000
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Change in accrual basis recognition of interest expenditures

Current year additional interest accrual	\$ (14,100)	
Forgiveness of CDL loan - accrued interest	50,129	36,029

In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned exceeded the amounts used by \$20,014.

	\$ (20,014)	(20,014)
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Change in net assets of governmental activities

	\$ 396,373
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See accompanying notes to financial statements.

## Statement G

## CITY OF HARAHAN, LOUISIANA

Proprietary Fund  
Statement of Net Assets

December 31, 2010

	Sewer Fund
<b>ASSETS</b>	
Cash	\$ 8,745
Accounts receivable	44,238
	<hr/>
Total current assets	52,983
	<hr/>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>	
Property, plant, and equipment, at cost	5,151,475
Less: Accumulated depreciation	(2,738,564)
	<hr/>
Property, plant, and equipment, net	2,412,911
	<hr/>
Total assets	<u>\$ 2,465,894</u>
	<hr/>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts and other payables	\$ 150,915
	<hr/>
Total current liabilities	150,915
	<hr/>
Total liabilities	150,915
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,412,911
Unrestricted	(97,932)
	<hr/>
Total net assets	2,314,979
	<hr/>
Total liabilities and net assets	<u>\$ 2,465,894</u>

See accompanying notes to financial statements.

## CITY OF HARRAHAN, LOUISIANA

Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the year ended December 31, 2010

	<u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for service	\$ 415,261
 Total operating revenues	 <u>415,261</u>
<b>OPERATING EXPENSES</b>	
Contractual services	336,372
Supplies, maintenance and repairs	301,256
Depreciation	<u>124,189</u>
 Total operating expenses	 <u>761,817</u>
 Operating loss	 <u>(346,556)</u>
<b>NON-OPERATING REVENUES</b>	
Property tax revenue	201,310
 Total non-operating revenues	 <u>201,310</u>
 <b>CHANGES IN NET ASSETS</b>	 <b>(145,246)</b>
<b>NET ASSETS:</b>	
<b>BEGINNING OF YEAR</b>	<u>2,460,225</u>
 <b>END OF YEAR</b>	 <u><u>\$ 2,314,979</u></u>

See accompanying notes to financial statements.

## CITY OF HARAHAN, LOUISIANA

Proprietary Fund  
Statement of Cash Flows

For the year ended December 31, 2010

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 421,861
Cash paid to suppliers of goods or services	<u>(629,949)</u>
Net cash used in operating activities	<u>(208,088)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Taxes received	<u>201,310</u>
Net cash provided by capital and related financing activities	<u>201,310</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(6,778)
<b>CASH AND CASH EQUIVALENTS:</b>	
<b>BEGINNING OF YEAR</b>	<u>15,523</u>
<b>END OF YEAR</b>	<u><u>\$ 8,745</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (346,556)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	124,189
Decrease in accounts receivable	6,600
Increase in accounts payable and accrued expenses	<u>7,679</u>
Net cash used in operating activities	<u><u>\$ (208,088)</u></u>

See accompanying notes to financial statements.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**(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 9,502 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 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**

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**(c) 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. Fund accounting is designed to demonstrate legal compliance and to aide financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. Each category in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follows:

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(1) **Summary of Significant Accounting Policies (continued)**

(c) *Fund Accounting (Continued)*

**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, rather than net income determination. 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.

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 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.

(d) *Basis of Accounting/Measurement focus*

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources management focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Codification.

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(1) **Summary of Significant Accounting Policies (continued)**

(d) ***Basis of Accounting/Measurement focus (Continued)***

Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the City's general revenues. Charges for services consist primarily of licenses, franchise fees, and sanitation services. Operating grants and contributions primarily consists of grants/taxes for the operation of the police and fire departments. Capital grants and contributions primarily consist of funding from the State for police equipment and playground equipment.

**Fund Financial Statements (FFS)**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax fund, Debt Sinking Fund, and the Debt Reserve Fund. Non-major funds are aggregated and presented in a single column. The City has only one non-major fund, the Capital Projects fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (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.

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.

The proprietary fund type 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 this fund are included on the 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.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(1) **Summary of Significant Accounting Policies (continued)**

(d) *Basis of Accounting/Measurement focus (Continued)*

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.

(e) *Cash*

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

(f) *Capital Assets*

Land, building and improvements, furniture and equipment are recorded as expenditures in the governmental or business-type activities columns in the government wide financial statements. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at their estimated market value on the date of donation. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. GASB Codification requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, and traffic signals. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is reporting infrastructure assets on a prospective basis.

The cost of normal maintenance and repairs that do not add to the value for the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital assets are depreciated over their estimated useful lives. The estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives.

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

CITY OF HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

**(1) Summary of Significant Accounting Policies (Continued)**

**(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 calculated using the straight-line method over the estimated useful lives.

**(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 3 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. All earned vacation time for civil service employees such as the police officers and firemen may be carried forward. City employees earned vacation time may also be carried forward, not to exceed 120 days of earned vacation time. Accrued vacation pay is recorded as an expenditure in the general fund when paid.

At December 31, 2010, employees of the City have accumulated and vested \$325,325 of compensated absence benefits. Of this portion \$23,369 is the current portion and is expected to be paid in 2011.

**(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) *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.

CITY OF HARAHAN, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(2) **Budgetary Procedures and Budgetary Accounting (Continued)**

- (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.

(3) **Cash**

At December 31, 2010, the City had \$2,626,447 in demand deposits.

The bank balances and collateralization for deposit at December 31, 2010 are as follows:

Total bank balances	<u>\$ 2,410,766</u>
Federal depository insurance	250,000
Pledged securities	<u>3,739,550</u>
Total collateral	<u>\$ 3,989,550</u>
Collateral – excess	<u>\$ 1,578,784</u>

Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. All deposits are secured by Federal depository insurance or the pledge of securities held by the pledging banks agent in the City's name.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**(4) Property Taxes**

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, 2010, upon which the 2010 levies were based, was \$76,730,591. The combined 2010 tax rate was \$15.81 per \$1,000 of assessed valuation. Of this amount, \$13.15 was available for general operations and \$2.66 was available for sewerage operations and maintenance.

**(5) Accounts Receivable**

Accounts receivable at December 31, 2010 consisted of the following:

Federal Emergency Management Agency	\$ 22,987
LGAP Grant	224,145
Sales and use taxes	133,173
Franchise fees	101,734
Video poker	24,482
Sanitation services	26,255
Other	<u>26,516</u>
Total governmental receivables	\$ 559,292
Sanitation services – proprietary fund	44,238
Total government wide receivables	<u>\$ 603,530</u>

**CITY OF HARAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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

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

	<u>January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2010</u>
Land, land improvement and buildings	\$ 2,796,687	\$ 17,680	\$ -	\$ 2,814,367
Infrastructure assets	648,030	92,562	-	740,592
Transportation equipment	1,760,879	29,300	-	1,790,179
Other equipment	1,004,272	217,688	-	1,221,960
Furniture and fixtures	58,722	-	-	58,722
Computer equipment	307,441	2,918	-	310,359
Total asset cost	<u>6,576,031</u>	<u>360,148</u>	<u>-</u>	<u>6,936,179</u>
Less: Accumulated depreciation				
Land, land improvement and buildings	(1,258,540)	(109,423)	-	(1,367,963)
Infrastructure assets	(42,106)	(26,230)	-	(68,336)
Transportation equipment	(1,533,671)	(149,730)	-	(1,683,401)
Other equipment	(733,658)	(87,433)	-	(821,091)
Furniture and fixtures	(28,629)	(7,006)	-	(35,635)
Computer equipment	(169,977)	(53,199)	-	(223,176)
Total accumulated depreciation	<u>(3,766,581)</u>	<u>(433,021)</u>	<u>-</u>	<u>(4,199,602)</u>
Net	<u>\$ 2,809,450</u>	<u>\$ (72,873)</u>	<u>-</u>	<u>\$ 2,736,577</u>

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

	<u>January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2010</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	1,252,799	-	-	1,252,799
Vehicles	26,230	-	-	26,230
Total asset cost	<u>5,151,475</u>	<u>-</u>	<u>-</u>	<u>5,151,475</u>
Less: Accumulated depreciation				
Sewerage collection system	(1,733,584)	(64,364)	-	(1,797,948)
Sewerage treatment plant	(854,561)	(59,825)	-	(914,386)
Vehicles	(26,230)	-	-	(26,230)
Total accumulated depreciation	<u>(2,614,375)</u>	<u>(124,189)</u>	<u>-</u>	<u>(2,738,564)</u>
Net	<u>\$ 2,537,100</u>	<u>\$ (124,189)</u>	<u>\$ -</u>	<u>\$ 2,412,911</u>

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**(7) Changes in Long-term Obligations**

A summary of changes in long-term obligations are as follows for the year ended December 31, 2010:

	Governmental Funds				Total
	Sales Tax Bonds	Special Community Disaster Loan	Capital Leases	Compensated Absences	
January 1	\$ 3,495,000	\$ 700,000	\$ 289,222	\$ 305,311	\$ 4,789,533
Additions	-	-	-	20,014	20,014
Reductions	200,000	379,633	76,762	-	656,395
December 31	<u>\$ 3,295,000</u>	<u>\$ 320,367</u>	<u>\$ 212,460</u>	<u>\$ 325,325</u>	<u>\$ 4,153,152</u>
Due within one year	<u>\$ 205,000</u>	<u>\$ 31,522</u>	<u>\$ 65,857</u>	<u>\$ 23,369</u>	<u>\$ 325,748</u>

**a) Sales Tax Bonds**

Sales tax refunding and improvement bonds, payable at December 31, 2010, are the following:

\$550,000 2007 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$50,000 to \$70,000 including interest through March 1, 2017, at 6.10%	\$ 415,000
\$3,085,000 2006 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$155,000 to \$270,000 including interest through June 1, 2024, at 4.25% - 4.60%	\$ 2,880,000
Total	<u>\$ 3,295,000</u>

During the year ending December 31, 2006, new debt was issued and the proceeds were used for the purpose of defeasing and refunding the callable maturities of the Issuer's outstanding Refunding and Public Improvement Bonds, Series 1999 and paying the costs of issuance. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City. As of December 31, 2010, the \$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds which were defeased during the year ending 2006 have an outstanding balance of \$2,825,000.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**(7) Changes in Long-term Obligations (continued)**

**a) Sales Tax Bonds (continued)**

The annual requirements to amortize all debt outstanding as of December 31, 2010 including interest payments of \$1,085,314 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
July 15,					
2011	\$ 205,000	\$	147,834	\$	352,834
2012	220,000		137,831		357,831
2013	220,000		127,464		347,464
2014	235,000		116,622		351,622
2015	240,000		105,196		345,196
2016-2020	1,165,000		355,497		1,520,497
2021-2024	1,010,000		94,870		1,104,870
	<u>\$ 3,295,000</u>	<u>\$</u>	<u>1,085,314</u>	<u>\$</u>	<u>4,380,314</u>

The City is in compliance with their debt covenants at December 31, 2010 and 2009.

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding up to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2010 is \$7,673,059.

**b) Capital Leases**

Capital lease – fire truck

During 2005, the City entered into a capital lease to refinance the existing fire truck lease and purchase additional vehicles and equipment for the fire department. During the year ended December 31, 2010, included in public safety-fire expenditures are principal payments of \$58,148 and interest payments of \$16,270. This capital lease is secured by a security interest in the fire vehicles and equipment purchased.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(7) **Changes in Long-term Obligations (continued)**

b) **Capital Leases (continued)**

Lease terms, at an interest rate of 5.39%, are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>December 31,</u>					
2011	\$ 50,839	\$	\$ 13,136	\$	\$ 63,975
2012	53,579		10,396		63,975
2013	35,667		7,508		43,175
2014	37,589		5,585		43,174
2015	19,769		5,713		25,482
	<u>\$ 197,443</u>	\$	<u>42,338</u>	\$	<u>239,781</u>

Included in transportation equipment and other equipment is \$684,338 for the fire truck, fire vehicles, and fire equipment subject to the capital lease. The accumulated depreciation of the equipment was \$675,166 and \$609,639 at December 31, 2010 and 2009 respectively.

Capital lease – John Deere backhoe

During 2005, the City entered into a capital lease for the purchase of a John Deere backhoe with principal payments beginning in June 2005. For the years ended December 31, 2010 and 2009, included in general government-other expenditures are principal payments of \$4,480 and \$10,398 and interest payments of \$53 and \$482, respectively. This capital lease is secured by a security interest in the backhoe. This capital lease was paid in full during the year ended December 31, 2010.

Included in other equipment is \$48,500 for the backhoe subject to the capital lease. The accumulated depreciation of the equipment was \$48,500 and \$44,458 at December 31, 2010 and 2009.

Capital lease – Ford Expeditions

During 2008, the City entered into a capital lease for the purchase of two Ford Expedition vehicles with principal payments beginning in March 2008. For the year ended December 31, 2010 included in general government-other expenditures are principal payments of \$14,134. This capital lease is secured by a security interest in the vehicles.

Included in Transportation equipment is \$58,760 for the two Ford Expedition vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$35,256 and \$23,504 at December 31, 2010 and 2009.

**CITY OF HARRAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(7) **Changes in Long-term Obligations (continued)**

**b) Capital Leases (continued)**

Lease terms, at an interest rate of 6.25%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2011	\$ 15,017	\$ 939	\$ 15,956
	\$ 15,017	\$ 939	\$ 15,956

**c) Special Community Disaster Loan Payable**

During December 2005, the City entered into a long-term agreement with the Federal Emergency Management Agency under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina. The City did not receive any funds for the CDL loans in 2010 and 2009. Of the \$965,525 total funds available, the balance is \$700,000 as of December 31, 2009. During the year ended December 31, 2010, the City submitted its application to FEMA for forgiveness of the CDL loan. FEMA approved forgiveness of the principal balance of \$379,633 and accrued interest of \$50,129. At December 31, 2010, the balance on the CDL loan is \$320,367 and accrued interest is \$38,031. The loan is for a term of five years with annual payments of principal and interest (rate of 2.69%) of \$77,132 through the maturity date of November 2015. Simple interest accrues on the outstanding principal balance until payment in full on the maturity date. Future principal and interest payments are as follows on the outstanding CDL loan at December 31, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2011	\$ 31,522	\$ 45,610	\$ 77,132
2012	69,362	7,770	77,132
2013	71,228	5,904	77,132
2014	73,144	3,988	77,132
2015	75,111	2,020	77,131
	\$ 320,367	\$ 65,292	\$ 385,659

(8) **Equity**

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

**CITY OF HARRAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**(9) Interfund Balances**

Interfund transfers for the year ended December 31, 2010 were as follows:

	<b>Transfers in</b>	<b>Transfers Out</b>
General fund	\$ 1,094,764	\$ 256,065
Sales tax fund	73,954	1,490,049
Bond sinking fund	555,285	160,000
Capital projects fund	182,111	-
	<b>\$ 1,906,114</b>	<b>\$ 1,906,114</b>

**(10) 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, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

Funding Policy

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 11%. Effective July 1, 2010, the City's required contribution was adjusted to 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, 2010, 2009, and 2008 were \$119,039, \$70,512, and \$80,027, respectively, equal to the required contributions for each year.

CITY OF HARRAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

**(10) 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. The report may be obtained by writing to Louisiana Fire 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 14%. Effective July 1, 2010, the City's required contribution was adjusted to 21.5%. 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, 2010, 2009, and 2008 were \$69,341, \$49,811, and \$41,393, respectively, equal to the required contributions for each year.

Other City employees are not covered by a pension plan.

**(11) Commitments and 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.

The City entered into an agreement with Veolia Water North America Operating Services, LLC (formerly PSG) on February 15, 1996 to provide for operation and maintenance of the City's wastewater treatment plant and wastewater collection facilities. The term of the agreement was for an initial period of 2 years commencing on March 1, 1996, with automatic renewals for four additional terms of 2 years for a total of 10 years, ending March 1, 2006.

Upon expiration of the service agreement, the City and Veolia Water have agreed on a month to month service agreement. On April 20, 2010, the City of Harahan signed a new contract with Veolia Water North America Operating Services, LLC (formerly PSG) for 5 years.

**(12) Natural Disasters**

On August 29, 2005, Hurricane Katrina, a major hurricane, struck southeastern Louisiana and the Mississippi and Alabama Gulf Coast. During the years ended December 31, 2010 and 2009, the City incurred expenses of \$16,074 and \$45,587, which the City recovered through the Federal Emergency Management Agency (FEMA).

**CITY OF HARRAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**(12) Natural Disasters (continued)**

In September 2008, Hurricane Gustav struck southeastern Louisiana. During the years ended December 31, 2010 and 2009, the City incurred expenses of \$0 and \$15,632 primarily relating to debris removal following Hurricane Gustav. As of December 31, 2010, included in accounts receivable is \$22,987 relating to these expenditures.

## CITY OF HARAHAN, LOUISIANA

General Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2010

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,170,000	\$ 1,190,000	\$ 1,065,448	\$ (124,552)
Intergovernmental	230,000	230,000	420,613	190,613
Fees, licenses and permits	860,900	905,900	881,940	(23,960)
Fines and forfeitures	666,000	785,000	831,080	46,080
Charges for services	569,100	569,100	597,319	28,219
Gaming revenue	132,000	132,000	277,903	145,903
Interest income	10,000	10,000	12,001	2,001
Other	54,000	54,000	53,007	(993)
Total revenues	3,692,000	3,876,000	4,139,311	263,311
<b>EXPENDITURES</b>				
General government - FEMA	-	-	16,074	(16,074)
General government - other	1,589,700	1,470,460	1,263,335	207,125
Public safety - police	1,382,180	1,659,654	1,689,752	(30,098)
Public safety - fire	908,040	1,027,095	1,009,798	17,297
Public works	248,000	284,740	260,874	23,866
Sanitation	628,000	628,000	647,991	(19,991)
Recreation	232,000	264,971	264,962	9
Capital outlay	-	-	229,150	(229,150)
Total expenditures	4,987,920	5,334,920	5,381,936	(47,016)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(1,295,920)	(1,458,920)	(1,242,625)	216,295
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,000,000	1,038,000	1,094,764	56,764
Operating transfers out	(140,000)	(140,000)	(256,065)	(116,065)
Total other financing sources (uses)	860,000	898,000	838,699	(59,301)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	(435,920)	(560,920)	(403,926)	156,994
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	1,927,647	1,927,647	1,392,938	534,709
END OF YEAR	\$ 1,491,727	\$ 1,366,727	\$ 989,012	\$ 691,703

See accompanying independent auditors' report.

## CITY OF HARAHAN, LOUISIANA

Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2010

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use tax revenue	\$ 1,200,000	\$ 1,038,000	\$ 1,409,316	\$ 371,316
Interest income	-	-	111	111
Total revenues	<u>1,200,000</u>	<u>1,038,000</u>	<u>1,409,427</u>	<u>371,427</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,200,000</u>	<u>1,038,000</u>	<u>1,409,427</u>	<u>371,427</u>
<b>OTHER FINANCING USES</b>				
Operating transfers in	-	-	73,954	(73,954)
Operating transfers out	<u>(1,200,000)</u>	<u>(1,038,000)</u>	<u>(1,490,049)</u>	<u>452,049</u>
Total other financing uses	<u>(1,200,000)</u>	<u>(1,038,000)</u>	<u>(1,416,095)</u>	<u>378,095</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>-</u>	<u>(6,668)</u>	<u>(6,668)</u>
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>15,525</u>	<u>15,525</u>	<u>15,525</u>	<u>-</u>
END OF YEAR	<u>\$ 15,525</u>	<u>\$ 15,525</u>	<u>\$ 8,857</u>	<u>\$ (6,668)</u>

See accompanying independent auditors' report.

**CITY OF HARRAHAN, LOUISIANA**

Schedule of Compensation Paid to City Council Members

Year ended December 31, 2010

Cindy Murray	\$	11,400
Provino Mosca		11,400
Lawrence Landry (Mayor Pro Tem)		11,400
Tiffany Wilken		11,400
Timothy Baudier		11,400
	\$	<u>57,000</u>

See accompanying independent auditors' report.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan (the City), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 29, 2011. 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2010-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency as described in item 2010-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the City Council and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 29, 2011

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

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

**2010-1 Misappropriation of assets**

Condition: An employee in the City's Police Department was charged and plead guilty to fraudulently receiving federal funds. Based on review of the City's records, the employee received a total of \$20,515 in overtime payments for period from October 1, 2009 through September 30, 2010. The overtime payments were funded through a Crime Victims Grant received from the State of Louisiana. She was put on administrative leave and subsequently terminated. The City of Harahan Police Department reported the fraud to the Attorney General, the Federal Bureau of Investigation and the Louisiana Legislative Auditor.

Criteria: Good internal controls over payroll require sufficient procedures to detect misappropriations. The City as a governmental entity follows certain state statutes including R.S. 24:523. An agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation.

Effect: The City's funds appear to have been misappropriated. The City's Police Department charged the employee on June 25, 2010.

Cause: The cause of the misappropriation of assets is due to lack of internal controls regarding the approval process for payroll in the City Police Department.

Recommendation: The City should review its policies and procedures to identify controls over the City Police Department payroll.

Management response: Management concurs with the finding and in 2011 has implemented new internal control procedures regarding grants and police overtime pay.

**CITY OF HARAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Summary Schedule of Prior Audit Findings**

Year ended December 31, 2010

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

**Finding 2009-1 Misappropriation of cash receipts**

**Condition:** An employee in the City's Traffic Court office is suspected and charged with taking cash payments for fines and tickets. Based on review of the Court's records, cash received was not deposited into the City's bank account. The employee was put on administrative leave. The City reported the fraud to the Harahan Police Department, Jefferson Parish District Attorney, and the Louisiana Legislative Auditor.

**Results:** Resolved