

**NORTHSHORE HARBOR CENTER DISTRICT**  
**Slidell, Louisiana**  
**December 31, 2018 and 2017**

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## **Independent Auditor's Report**

To the Commissioners of the  
Northshore Harbor Center District

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of Northshore Harbor Center District, Slidell, Louisiana, as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northshore Harbor Center District, as of December 31, 2018 and 2017 and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 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.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northshore Harbor Center District's basic financial statements. The accompanying schedule of compensation, benefits and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of Northshore Harbor Center District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northshore Harbor Center District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northshore Harbor Center District's internal control over financial reporting and compliance.

*Hienz & Macaluso, LLC*

Metairie, LA

June 27, 2019

***NORTHSHORE HARBOR CENTER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018***

This section of Northshore Harbor Center District's (the District) annual financial report presents background information and management's analysis of the District's financial performance during the year that ended December 31, 2018. Please read it in conjunction with the financial statements in this report.

**Financial Highlights**

The assets of the District exceeded its liabilities by \$23,664,775. Net position decreased \$602,687 from December 31, 2017.

During the year, the District's total operating revenues, which consists primarily of hotel occupancy taxes, ad valorem tax, facility rental fees and state appropriations, decreased by \$693,268 from December 31, 2017. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, increased by \$13,244 from December 31, 2017.

The District had a decrease in operating expenses of \$13,913 from December 31, 2017.

The District reduced the principal balance of its general obligation bonds by \$340,000 during the year.

**Required Financial Statements**

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities. The difference between assets and liabilities is net position. It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position. This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through ad valorem taxes, hotel occupancy taxes and other revenue sources.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

***NORTHSHORE HARBOR CENTER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018***

***Summary of Net Position***

A summary of the District's Statement of Net Position is presented in Table 1 below:

**TABLE 1  
Condensed Statements of Net Position  
(In thousands)**

	<u>December 31</u> 2018	<u>December 31</u> 2017	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Total Current Assets	\$ 7,028	\$ 7,381	\$ (353)	-4.78%
Capital Assets	17,554	18,187	(633)	-3.48%
Other Assets, Including Restricted				
Ad Valorem Receivable and	373	365	8	2.19%
Cash and Cash Equivalents	<u>101</u>	<u>70</u>	<u>31</u>	<u>44.29%</u>
 Total Assets	 <u>\$ 25,056</u>	 <u>\$ 26,003</u>	 <u>\$ (947)</u>	 <u>\$ -3.64%</u>
 Current Liabilities	 \$ 66	 \$ 68	 \$ (2)	 \$ -2.94%
Long-Term Debt Outstanding and Other				
Liabilities Payable from Restricted				
Assets	<u>1,325</u>	<u>1,668</u>	<u>(343)</u>	<u>-20.56%</u>
 Total Liabilities	 1,391	 1,736	 (345)	 -23.50%
 Net Position				
Net Investment in Capital Assets	16,239	16,532	(293)	-1.77%
Restricted	464	422	42	9.95%
Unrestricted	<u>6,962</u>	<u>7,313</u>	<u>(351)</u>	<u>-4.80%</u>
 Total Net Position	 <u>23,665</u>	 <u>24,267</u>	 <u>(602)</u>	 <u>-2.48%</u>
 Total Liabilities and Net Position	 <u>\$ 25,056</u>	 <u>\$ 26,003</u>	 <u>\$ (947)</u>	 <u>-3.64%</u>

At December 31, 2018, net position decreased by \$602,687, to a total of \$23,664,775. The change in total net position results primarily from the decrease in ad valorem taxes collected.

***NORTHSHORE HARBOR CENTER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018***

***Summary of Revenue, Expenses and Changes in Fund Net Position***

A summary of the District's Statement of Revenue, Expenses, and Changes in Fund Net Position is presented in Table 2 below:

**TABLE 2**  
**Condensed Statements of Revenue, Expenses, and Changes in Fund Net Position**  
***(In thousands)***

	<u>2018</u>	<u>2017</u>
Operating Revenue		
Ad Valorem Taxes	\$ -	\$ 592
Hotel Occupancy Taxes	348	351
Other General Revenues	<u>463</u>	<u>561</u>
Total Operating Revenue	<u>811</u>	<u>1,504</u>
Operating Expenses:		
Depreciation	635	640
Salaries and Benefits	649	656
Insurance	132	135
Repairs & Maintenance	113	95
Utilities	147	138
Advertising	54	55
Legal & Other Professional Services	42	62
Event Expense	19	22
Communication	28	34
Accounting	29	19
Other Operating Expenses	<u>48</u>	<u>54</u>
Total Operating Expenses	<u>1,896</u>	<u>1,910</u>
Income (loss) from Operations	(1,085)	(406)
Non-operating Expenses	(42)	(54)
Non-operating Revenues	<u>525</u>	<u>511</u>
Total Non-Operating Revenues (net)	<u>483</u>	<u>457</u>
Change in Net Position	(602)	51
Net Position - Beginning of Year	<u>24,267</u>	<u>24,216</u>
Net Position - End of Year	<u>\$ 23,665</u>	<u>\$ 24,267</u>

***NORTHSHORE HARBOR CENTER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018***

***Sources of Revenue***

*Operating Revenue*

Operating revenues consist primarily of ad valorem tax restricted for operations, hotel occupancy taxes collected within Wards 8 and 9 of St. Tammany Parish and facility rental fees. Ad valorem taxes are assessed on properties located within Wards 8 and 9 and normally levied in November and billed to the property owner in December. St. Tammany Parish Sheriff's Office collects and remits the ad valorem taxes for the District. Ad valorem tax is levied at 0.75 mills in 2018 restricted for bond repayment. Hotel occupancy taxes have served as the primary operating revenue for the District since its inception. These taxes are remitted to the St. Tammany Parish Sheriff's Office, who serves as tax collector for St. Tammany Parish. The Sheriff then remits the funds collected to the District. The facility was in service during the current fiscal year with the District recording facility rental fees in the amount of \$276,066.

*Non-Operating Revenue*

Non-operating revenues consist primarily of ad valorem taxes that are restricted for bond repayment. Ad valorem taxes are assessed on properties located within Wards 8 and 9 of St. Tammany Parish and normally levied in November and billed to the property owner in December. St. Tammany Parish Sheriff's Office collects and remits the ad valorem taxes for the District. Ad valorem tax is levied at 0.75 mills for bond repayment.

**Operating and Financial Performance**

The following summarizes the District's Statements of Revenue, Expenses and Changes in Fund Net Position between December 31, 2017 and December 31, 2018:

Total operating revenues, derived from hotel occupancy taxes, ad valorem tax, facility rental fees and state appropriations, decreased by \$693,268 from December 31, 2017. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, increased \$13,244 from December 31, 2017. Ad valorem tax, in total, decreased \$575,674, a 56.98% decrease, and operating revenue, excluding ad valorem tax, decreased \$101,433, or approximately 11.12% over the prior year.

Total operating expenses decreased by \$78,936, or 0.73%, from December 31, 2017.

**Non-Operating Revenues and Expenses**

As discussed previously, non-operating revenues consist primarily of ad valorem taxes restricted for bond repayment. Other non-operating revenue consists of interest income, generated primarily from the District's investment of excess cash in interest-bearing accounts.

The District also recorded interest expense in the amount of \$41,306 for the year ended December 31, 2018.

***NORTHSHORE HARBOR CENTER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018***

**TABLE 3  
Capital Assets  
(In thousands)**

	2018	2017	Dollar Change	Percentage Change
Land	\$ 2,188	\$ 2,188	\$ -	0.00%
Land Improvements	2,196	2,196	-	0.00%
Facility	19,098	19,098	-	0.00%
Facility Equipment	765	763	2	0.26%
Furniture & Fixtures	450	450	-	0.00%
Sign	923	923	-	0.00%
Accumulated Depreciation	(8,066)	(7,431)	(635)	8.55%
Total Capital Assets	<u>\$ 17,554</u>	<u>\$ 18,187</u>	<u>\$ (633)</u>	

Total property, plant and equipment decreased by \$633,133 due mainly to increased accumulated depreciation offset by current year additions. Depreciation expense has been recognized on capital assets in the amount of \$635,203 as of December 31, 2018.

**Long-Term Debt**

At December 31, 2018, the District had \$1,315,000 of general obligations bonds outstanding. The District made principal payments in the amount of \$340,000 during the year. More detailed information about the District's long-term debt is presented in the notes to basic financial statements.

**Economic Factors and next year's budget**

The District's management and Board of Commissioners continuously monitor the area's economic condition and factors impacting it. The District is actively marketing the multi-use facility to public and non-public organizations.

**Contacting the District's Financial Manager**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kathy Lowrey, General Manager, 985-781-3650.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

**ASSETS**

<b>CURRENT ASSETS:</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash and cash equivalents	\$ 6,895,227	\$ 7,235,867
Hotel occupancy tax receivable	27,845	30,211
Prepaid expenses	<u>104,808</u>	<u>115,018</u>
 Total Current Assets	 <u>7,027,880</u>	 <u>7,381,096</u>
 <b>NONCURRENT ASSETS:</b>		
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	100,915	70,233
Ad valorem tax receivable	<u>372,942</u>	<u>364,811</u>
 Total Restricted Assets	 <u>473,857</u>	 <u>435,044</u>
 <b>CAPITAL ASSETS:</b>		
Land	2,188,430	2,188,430
Land improvements	2,195,790	2,195,790
Facility	19,097,848	19,097,848
Facility equipment	764,871	762,801
Furniture and fixtures	450,654	450,654
Sign	922,873	922,873
Accumulated depreciation	<u>(8,066,475)</u>	<u>(7,431,272)</u>
 Total Capital Assets, net	 <u>17,553,991</u>	 <u>18,187,124</u>
 Total Noncurrent Assets	 <u>18,027,848</u>	 <u>18,622,168</u>
 Total Assets	 <u>\$ 25,055,728</u>	 <u>\$ 26,003,264</u>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF NET POSITION (Continued)  
DECEMBER 31, 2018 AND 2017**

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES:</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Accounts payable	\$ 4,245	\$ 3,897
Accrued liabilities	29,255	31,412
Facility deposits	<u>32,985</u>	<u>33,122</u>
 Total Current Liabilities	 <u>66,485</u>	 <u>68,431</u>
 <b>NONCURRENT LIABILITIES:</b>		
 <b>PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest payable	9,468	12,370
Current portion of general obligations bonds payable	<u>215,000</u>	<u>340,000</u>
 Total Liabilities Payable from Restricted Assets	 <u>224,468</u>	 <u>352,370</u>
 <b>LONG-TERM LIABILITIES:</b>		
General obligation bonds payable (less current portion)	<u>1,100,000</u>	<u>1,315,000</u>
 Total Liabilities	 <u>1,390,953</u>	 <u>1,735,801</u>
 <b>NET POSITION:</b>		
Net investment in capital assets	16,238,991	16,532,123
Restricted:		
Restricted for re-payment of bond issue and future construction costs	464,389	422,674
Unrestricted	<u>6,961,395</u>	<u>7,312,665</u>
 Total Net Position	 <u>\$ 23,664,775</u>	 <u>\$ 24,267,462</u>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>OPERATING REVENUES:</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Ad valorem taxes	\$ -	591,835
Hotel occupancy taxes	347,964	350,843
State appropriations	178,651	217,556
Facilities rental	276,066	254,007
Other income	8,261	89,969
Total Operating Revenues	<u>810,942</u>	<u>1,504,210</u>
<b>OPERATING EXPENSES:</b>		
Training and conferences	5,691	4,189
Salaries and wages	498,199	506,332
Payroll taxes	41,753	40,726
Retirement	7,790	7,276
Employee insurance	101,324	101,394
Office supplies	12,627	11,816
Repairs and maintenance	112,708	95,375
Travel	2,269	760
Utilities	147,181	138,363
Insurance	132,470	135,022
Contract labor	11,993	18,042
Auto	6,300	6,058
Accounting	28,968	19,351
Legal and other professional services	41,890	61,694
Communication	28,450	33,610
Dues and subscriptions	3,680	6,081
Advertising	53,706	54,798
Bank service fees	2,329	2,718
Event expense	18,554	22,199
Depreciation	635,203	639,943
Miscellaneous	2,764	4,015
Total Operating Expenses	<u>1,895,849</u>	<u>1,909,762</u>
<b>OPERATING LOSS</b>	<u>(1,084,907)</u>	<u>(405,552)</u>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>NON-OPERATING REVENUES (EXPENSES):</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Ad valorem taxes	434,583	418,422
Interest income	89,550	92,467
Interest expense	(41,306)	(53,091)
Bond issuance expense	(607)	(607)
	<hr/>	<hr/>
Total Non-Operating Revenues, net	482,220	457,191
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	(602,687)	51,639
<b>NET POSITION - BEGINNING OF PERIOD</b>	24,267,462	24,215,823
	<hr/>	<hr/>
<b>NET POSITION - END OF PERIOD</b>	<u>\$ 23,664,775</u>	<u>24,267,462</u>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash received from ad valorem taxes	\$ -	\$ 1,402,289
Cash received from hotel occupancy taxes	350,330	351,216
Cash received from customers	275,929	274,845
Cash received from state revenue sharing and appropriations	178,651	217,556
Cash received from other operating receipts	8,261	89,969
Cash paid for salaries and related benefits	(657,523)	(652,725)
Cash paid for operating expenses	<u>(606,173)</u>	<u>(624,516)</u>
Net Cash Provided (Used) by Operating Activities	<u>(450,525)</u>	<u>1,058,634</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash received from ad valorem taxes	426,452	621,036
Cash received from interest	89,550	92,467
Principal payments on bonds payable	(340,000)	(905,000)
Payments for bond interest costs	(33,364)	(51,306)
Purchases of capital assets	<u>(2,071)</u>	<u>(115,027)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>140,567</u>	<u>(357,830)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(309,958)</b>	<b>700,804</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>7,306,100</u></b>	<b><u>6,605,296</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 6,996,142</u></b>	<b><u>\$ 7,306,100</u></b>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<b><u>2018</u></b>	<b><u>2017</u></b>
Operating loss	\$ (1,084,907)	\$ (405,552)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	635,203	639,943
Decrease (increase) in hotel occupancy tax receivable	2,366	373
Decrease (increase) in catering commission receivable	-	15,913
Decrease (increase) in ad valorem tax receivable	-	799,003
Decrease (increase) in prepaid expenses	(1,241)	16,190
(Decrease) increase in accounts payable	348	(21,222)
(Decrease) increase in accrued liabilities	(2,157)	9,061
(Decrease) increase in facility deposits	<u>(137)</u>	<u>4,925</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (450,525)</u>	<u>\$ 1,058,634</u>

**RECONCILIATION OF TOTAL CASH AND CASH  
EQUIVALENTS**

Cash and cash equivalents	\$ 6,895,227	\$ 7,235,867
Restricted cash and cash equivalents	<u>100,915</u>	<u>70,233</u>
Total Cash and Cash Equivalents	<u>\$ 6,996,142</u>	<u>\$ 7,306,100</u>

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”. The implementation of this statement has created additional statements, schedules, reports, and note disclosures as follows:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations.
- Financial statements are prepared using the full accrual accounting method for all activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Northshore Harbor Center District (the District) implemented this Statement as of July 1, 2003. The District’s significant accounting policies are explained in the following note disclosure.

**BASIS OF PRESENTATION**

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) 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.

**BASIS OF ACCOUNTING**

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred. Substantially all revenues and expenses are subject to accrual.

**REPORTING ENTITY**

The District was created by Act 685 of the 1986 Regular Session of the Louisiana Legislature. However, the District did not become active until December 1997. As such, the date of December 1, 1997 has been utilized as the inception date.

The District consists of the entire area within Wards 8 and 9 of St. Tammany Parish, and is generally authorized to acquire, construct, develop, maintain and operate an Events Center and the programs and events undertaken therein.

The control and management of the affairs of the District are vested in a Board of Commissioners (the Board). The Board consists of 14 members, all of whom must be qualified voters of Wards 8 and 9 of St. Tammany Parish, except for the executive director of the St. Tammany Parish Tourist Commission. The Board is appointed by the following entities and individuals:

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REPORTING ENTITY (Continued)**

<u>Entity/Individual</u>	<u>Number of Appointments</u>
Mayor of the City of Slidell	1
City Council of the City of Slidell	3
Board of Alderman of the Town of Pearl River	1
St. Tammany Parish Government	2
East St. Tammany Chamber of Commerce.	1
State Representative for District 90	1
State Representative for District 76	1
State Representative for District 74	1
State Senator for District 11	1
State Senator for District 1	1

No elected public official is eligible for appointment to the Board, and members of the Board serve without compensation.

**CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**BOND ISSUANCE COSTS**

The Northshore Harbor Center District has implemented GASB 65, *Items Previously Reported as Assets and Liabilities*, which states that debt issuance costs should be recognized as an expense in the period incurred. As of December 31, 2015, Northshore Harbor Center District reports bond issuance costs as a non-operating expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

**CAPITAL ASSETS**

Property, plant, and equipment are recorded at cost or, if contributed property, at their fair market value at the time of the contribution. The District's policy is to capitalize assets purchased in the amount \$1,000 or more. These assets are depreciated over their useful lives, which are three to ten years for furniture, fixtures and facility equipment, twenty years for the sign, twenty-five years for land improvements and forty years for the facility building.

**AD VALOREM TAXES**

Ad Valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. The St. Tammany Parish Sheriff's Department bills and collects the Ad Valorem taxes for the District.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NET POSITION**

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components:

Net investment in capital assets – Consists of all capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of external constraints placed on net position used by creditors, grantors, contributors, or laws or regulations of the government or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Consists of all other assets that are not included in the other categories previously mentioned.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**RESTRICTED ASSETS**

Restricted assets, as presented in the financial statements, represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings that is restricted for re-payment of the bond issue or future construction costs.

**OPERATING REVENUES**

The District identifies operating revenues primarily as those revenues received from ad valorem taxes restricted for operations, hotel occupancy taxes and facilities rentals. These revenues are available to pay the general operating expenses of the District.

**NON-OPERATING REVENUES**

The District identifies non-operating revenues primarily as those revenues received from ad valorem taxes restricted for bond repayment and interest income. These revenues are not derived from the District's core operating activities or available to pay general operating expenses.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At December 31, 2018 and 2017, the District has cash (book balances) as follows:

	<u>2018</u>	<u>2017</u>
Interest-bearing demand deposits	<u>\$6,996,142</u>	<u>\$7,306,100</u>

At December 31, 2018, the cash bank balance with a local financial institution totaled \$7,027,744. \$250,000 of this balance is insured by the Federal Deposit Insurance Corporation and the remaining balance is collateralized by securities held by the District's agent in the District's name. At December 31, 2017, the cash bank balance with a local financial institution totaled \$7,356,436. \$250,000 of this balance is insured by the Federal Deposit Insurance Corporation and the remaining balance is collateralized by securities held by the District's agent in the District's name. The District has no formal policy regarding custodial credit risk.

**NOTE 3 – BONDS PAYABLE**

On May 27, 2010, the District issued \$4,540,000 of General Obligation Refunding Bonds, Series 2010, due between March 1, 2011 and March 1, 2018. The proceeds of the bonds are being used to refund the outstanding Series 1999 General Obligation Bonds and paying the costs of issuance of the 2010 bonds.

Interest ranging from 2.00% to 3.25%, is payable semi-annually on March 1 and September 1 of each year through 2018.

On December 21, 2012 the District issued \$2,135,000 of General Obligation Refunding Bonds, Series 2012, due between March 1, 2015 and March 1, 2024. The proceeds of the bonds are being used to refund the outstanding Series 2004 General Obligation Bonds for bonds maturing March 1, 2014 and thereafter and paying the costs of issuance of the 2012 bonds.

Interest at 2.16%, is payable semi-annually on March 1 and September 1 of each year through 2024.

In June of 2016 the board levied 3.7 mills for the 2017 calendar year, of which 0.75 mills is levied for bonds and 2.95 mills for operations. In June of 2017 the board levied 0.75 mills for the 2018 calendar year for bonds.

In accordance with the Bond Agreements, the District has established a restricted cash account into which the District deposits the proceeds from the collections of the Ad Valorem tax. Funds are transferred from the restricted cash account to the paying agent for the payment of principal and interest. In accordance with the Revised Statutes of the State of Louisiana, aggregate debt payable solely from ad valorem taxes shall not exceed 10% of the total assessed valuation of taxable property. At December 31, 2018 and 2017, the District was in compliance with these statutes.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 – BONDS PAYABLE (Continued)**

A summary of the changes in bonds payable follows:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ 1,655,000	\$ -	\$(340,000)	\$ 1,315,000	\$ 215,000
	<u>\$ 1,655,000</u>	<u>\$ -</u>	<u>\$(340,000)</u>	<u>\$ 1,315,000</u>	<u>\$ 215,000</u>

	<u>December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ 2,560,000	\$ -	\$(905,000)	\$ 1,655,000	\$ 340,000
	<u>\$ 2,560,000</u>	<u>\$ -</u>	<u>\$(905,000)</u>	<u>\$ 1,655,000</u>	<u>\$ 340,000</u>

Scheduled debt service requirements, including interest, on Series 2012 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 215,000	\$ 26,082	\$ 241,082
2020	220,000	21,384	241,384
2021	215,000	16,686	231,686
2022	220,000	11,988	231,988
2023	220,000	7,236	227,236
2024	225,000	2,430	227,430
	<u>\$ 1,315,000</u>	<u>\$ 85,806</u>	<u>\$ 1,400,806</u>

**NOTE 4 – RISK OF LOSS**

The District is exposed to various risks of loss related to damage and destruction of assets, and errors and omissions of the Board. Commercial insurance has been obtained to cover these risks.

**NOTE 5 – DEFERRED COMPENSATION PLAN**

During 2004 the District adopted a deferred compensation plan for its employees. The plan follows Internal Revenue Service Code Section 457 (b) and is a defined contribution plan. The effective date of the plan is April 1, 2003. Participants may contribute through salary reduction up to the maximum allowed by the Internal Revenue Code. Employer contributions are permitted under the plan up to a 4% match of the participant's salary at the employer's discretion. Participants are immediately vested in employee and employer contributions. Retirement expense was \$7,790 and \$7,276 for the years ended December 31, 2018 and 2017, respectively.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 – CAPITAL ASSETS**

The District's capital assets are listed below:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>December 31, 2018</u>
Capital assets not depreciated:				
Land	\$ 2,188,430	\$ -	\$ -	\$ 2,188,430
Total capital assets not depreciated	<u>2,188,430</u>	<u>-</u>	<u>-</u>	<u>2,188,430</u>
Other capital assets:				
Land improvements	2,195,790	-	-	2,195,790
Facility	19,097,848	-	-	19,097,848
Facility equipment	762,801	2,070	-	764,871
Furniture and fixtures	450,654	-	-	450,654
Sign	922,873	-	-	922,873
Accumulated depreciation	<u>(7,431,272)</u>	<u>(635,203)</u>	<u>-</u>	<u>(8,066,475)</u>
	<u>15,998,694</u>	<u>(633,133)</u>	<u>-</u>	<u>15,365,561</u>
	<u>\$ 18,187,124</u>	<u>\$ (633,133)</u>	<u>\$ -</u>	<u>\$ 17,553,991</u>
	<u>December 31, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>December 31, 2017</u>
Capital assets not depreciated:				
Land	\$ 2,188,430	\$ -	\$ -	\$ 2,188,430
Total capital assets not depreciated	<u>2,188,430</u>	<u>-</u>	<u>-</u>	<u>2,188,430</u>
Other capital assets:				
Land improvements	2,195,790	-	-	2,195,790
Facility	19,095,261	2,587	-	19,097,848
Facility equipment	654,659	108,142	-	762,801
Furniture and fixtures	446,356	4,298	-	450,654
Sign	922,873	-	-	922,873
Accumulated depreciation	<u>(6,791,329)</u>	<u>(639,943)</u>	<u>-</u>	<u>(7,431,272)</u>
	<u>16,523,610</u>	<u>(524,916)</u>	<u>-</u>	<u>15,998,694</u>
	<u>\$ 18,712,040</u>	<u>\$ (524,916)</u>	<u>\$ -</u>	<u>\$ 18,187,124</u>

**NOTE 7 – RESTRICTED NET POSITION**

The District's restricted net position represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings less related liabilities that is restricted for re-payment of the bond issue or future construction costs.

**NOTE 8 – LEASE AGREEMENT**

The District has one operating lease for a copy machine. The lease was renewed on November 29, 2017 and has a 60 month term with a purchase option at the end of the term. Payments under the lease are \$334 per month. Total lease expense for the years ending December 31, 2018 and 2017 was \$4,284 and \$3,768, respectively.

**NORTHSHORE HARBOR CENTER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 8 – LEASE AGREEMENT (Continued)**

Future minimum payments under this lease are as follows:

<u>Calendar Year End</u>	<u>Lease Commitment</u>
December 31, 2019	\$ 4,008
December 31, 2020	4,008
December 31, 2021	4,008
December 31, 2022	4,008
	<u>\$ 16,032</u>

**NOTE 9 – SUBSEQUENT EVENT**

Act 182 of the 2019 Regular Session was signed into law on June 11, 2019 and is effective August 1, 2019. Among other items, the new legislation renames the District the Harbor Center District. Additionally, it provides for an increase in the tax based upon the occupancy of hotel rooms, motel rooms, and overnight camping facilities within the district in order to provide funds for the operations of the District. The tax is increased from a maximum of one dollar per occupant day to two dollars per occupant day.

**NORTHSHORE HARBOR CENTER DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD  
DECEMBER 31, 2018**

Agency Head Name: Kathy Lowrey

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 87,839
Benefits - insurance	13,454
Benefits - retirement	1,300
Car allowance	<u>6,300</u>
Total	<u>\$108,893</u>



**INDEPENDENT AUDITOR'S 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***

To the Commissioners of the  
Northshore Harbor Center District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northshore Harbor Center District, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise Northshore Harbor Center District's basic financial statements, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northshore Harbor Center District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northshore Harbor Center District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northshore Harbor Center District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northshore Harbor Center District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Hienz & Macaluso, LLC*

Metairie, LA

June 27, 2019

**NORTHSHORE HARBOR CENTER DISTRICT  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section I – Summary of Auditor’s Results:**

1. The auditor’s report expresses an unmodified opinion on the financial statements of the Northshore Harbor Center District.
2. No control deficiencies were disclosed during the audit of the financial statements of the Northshore Harbor Center District.
3. No instances of noncompliance were disclosed during the audit of the financial statements of the Northshore Harbor Center District.

**Section II – Financial Statement Findings:**

There were no financial statement findings for the year ended December 31, 2018.

**Section III – Federal Award Findings and Questioned Costs:**

Not applicable.

**Section IV – Management Letter:**

A management letter was not issued in connection with the audit for the year ended December 31, 2018.

**NORTHSHORE HARBOR CENTER  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section II – Financial Statement Findings:**

Not applicable.

**Section III – Federal Award Findings and Questioned Costs:**

Not applicable.

**Section IV – Management Letter:**

A management letter was not issued in connection with the audit for the year ended December 31, 2017.