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NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
December 31, 2009

Audit of Financial Statements

December 31, 2009

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

Release Date 8/18/10

TABLE OF CONTENTS

| | |
|---|---------|
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 7 |
| BASIC FINANCIAL STATEMENTS: | |
| Statement of Net Assets | 8 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 9 - 10 |
| Statement of Cash Flows | 11 - 12 |
| Notes to Financial Statements | 13 - 20 |
| Other Reports Required by <i>Government Auditing Standards</i>: | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 21 - 22 |
| Schedule of Findings and Questioned Costs | 23 |
| Reports by Management: | |
| Schedule of Prior Year Findings | 24 |
| Management's Corrective Action Plan | 25 |



Independent Auditor's Report

To the Commissioners of the
Northshore Harbor Center District

We have audited the accompanying financial statements of the business-type activities of the Northshore Harbor Center District (the District) as of and for the year then ended December 31, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District'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 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 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 opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2009, and the respective changes in financial position and cash flows, 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 24, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

Hienz & Macaluso, LLC

HIENZ & MACALUSO, L.L.C.
Metairie, LA

June 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. Please read it in conjunction with the financial statements in this report.

Financial Highlights

The assets of the District exceeded its liabilities by \$15,573,448. Net assets increased \$1,028,228 from December 31, 2008.

During the year, the District's total operating revenues, which consists primarily of hotel occupancy taxes, facility rental fees and state appropriations, increased by \$24,218 from the prior year. Non-operating revenues, which consist primarily of ad valorem taxes and interest income, decreased \$220,509 from 2008.

The District had an increase in operating expenses of \$164,484 from 2008 to 2009.

The District reduced the principal balance of its General Obligation Bonds by \$2,080,000 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 Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also 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 Net Assets. 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 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Net Assets

A Summary of the District's Statement of Net Assets Sheet is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Assets
(In thousands)

| | <u>December 31</u> 2009 | <u>December 31</u> 2008 | Dollar Change | Percentage Change |
|---|----------------------------|----------------------------|-----------------------|----------------------|
| Total Current Assets | \$ 1,116 | \$ 641 | 475 | 74.10% |
| Capital Assets | 22,230 | 22,842 | (612) | -2.68% |
| Other Assets, Including Restricted Cash and Investments | <u>1,448</u> | <u>2,375</u> | <u>(927)</u> | <u>-39.03%</u> |
| Total Assets | <u>\$ 24,794</u> | <u>\$ 25,858</u> | <u>\$ (1,064)</u> | <u>\$ -4.11%</u> |
| Current Liabilities | \$ 83 | \$ 63 | \$ 20 | \$ 31.75% |
| Long-Term Debt Outstanding and Other Liabilities Payable from Restricted Assets | <u>9,138</u> | <u>11,250</u> | <u>(2,112)</u> | <u>-18.77%</u> |
| Total Liabilities | 9,221 | 11,313 | (2,092) | 12.97% |
| Net Assets | | | | |
| Invested in capital assets, net of debt | 13,214 | 11,747 | 1,467 | 12.49% |
| Restricted | 1,228 | 2,114 | (886) | -41.91% |
| Unrestricted | 1,131 | 684 | 447 | 65.35% |
| Total Net Assets | <u>15,573</u> | <u>14,545</u> | <u>1,028</u> | <u>7.07%</u> |
| Total Liabilities and Net Assets | <u>\$ 24,794</u> | <u>\$ 25,858</u> | <u>\$ (1,064)</u> | <u>\$ -4.11%</u> |

As can be seen in Table 1, net assets increased by \$1,028,000 to a total of \$15,573,000 in 2009. The change in total net assets results primarily from the net decrease in bonds payable.

Summary of Revenue, Expenses and Changes in Net Assets

TABLE 2

**Condensed Statements of revenue, Expenses, and Changes in Net Assets
(In thousands)**

| | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| Operating Revenue | | |
| Hotel Occupancy Taxes | \$ 238 | \$ 243 |
| Other General revenues | <u>699</u> | <u>670</u> |
| Total Operating Revenue | <u>937</u> | <u>913</u> |
| Operating Expenses: | | |
| Salaries and Wages | 423 | 363 |
| Insurance | 230 | 239 |
| Accounting | 20 | 21 |
| Communication Expenses (Telephone, Internet, Etc.) | 58 | 29 |
| Legal & Other Professional Services | 47 | 70 |
| Auto Expense | 6 | 7 |
| Office Supplies | 22 | 56 |
| Other Operating Expenses | <u>1,197</u> | <u>1,053</u> |
| Total Operating Expenses | <u>2,003</u> | <u>1,838</u> |
| Income (Loss) from Operations | (1,066) | (925) |
| Non-operating Expenses | (437) | (501) |
| Non-operating Revenues | <u>2,531</u> | <u>2,751</u> |
| Total Non-Operating Revenues (net) | <u>2,094</u> | <u>2,250</u> |
| Increase in Net Assets | 1,028 | 1,325 |
| Net Assets - Beginning of Year | <u>14,545</u> | <u>13,220</u> |
| Net Assets - End of Year | <u>\$ 15,573</u> | <u>\$ 14,545</u> |

Sources of Revenue

Operating Revenue

Operating revenues consist primarily of Hotel Occupancy Taxes collected within Wards 8 and 9 of St. Tammany Parish and Facility rental fees. 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 \$398,928. The District is now aggressively marketing the multi-use facility.

Non-Operating Revenue

Non-operating revenues consist primarily of Ad Valorem taxes assessed on properties located within Wards 8 and 9 of St. Tammany Parish. Ad Valorem taxes are 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. The increase in Ad Valorem Tax revenue is considered to be a result of increases in assessed values of properties within the taxing district.

Operating and Financial Performance

The following summarizes the District's Statements of Revenue, Expenses and Changes in Net Assets between 2008 and 2009:

Total Operating Revenues, derived from Hotel Occupancy Taxes, facilities rentals and other general revenues, increased by \$24,218, or approximately 3%, over the prior year. Total operating expenses increased by \$164,483, or 9%, over the prior year.

Non-Operating Revenues and Expenses

As discussed previously, non-operating revenues consist primarily of Ad Valorem taxes. Other non-operating revenue consists of interest income, generated primarily from the District's investment of excess cash in the Louisiana Asset Management Pool (LAMP).

The District also recorded interest expense in the amount of \$426,688 for the year ended December 31, 2009.

TABLE 3
Capital Assets
(In thousands)

| | 2009 | 2008 | Dollar Change | Percentage Change |
|---|------------------|------------------|------------------|----------------------|
| Land | \$ 2,188 | \$ 2,188 | \$ - | \$ 0.00% |
| Land Improvements | 2,196 | 2,196 | - | 0.00% |
| Facility | 19,087 | 19,087 | - | 0.00% |
| Furniture and Fixtures | 378 | 270 | 108 | 40.00% |
| Facility Equipment | 502 | 502 | - | 0.00% |
| Accumulated Depreciation | (2,121) | (1,401) | (720) | 51.39% |
| Total Property, Plant, and Equipment | \$ 22,230 | \$ 22,842 | \$ (612) | \$ -2.68% |

Total property, plant and equipment decreased by \$612,678 due to accumulated depreciation.

Depreciation expense has been recognized on capital assets in the amount of \$720,678 as of December 31, 2009.

Long-Term Debt

At December 31, 2009, the District had \$9,015,000 of General Obligations Bonds outstanding. The District made principal payments in the amount of \$2,080,000 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
Slidell, Louisiana
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

| | |
|----------------------------------|---------------|
| Cash | \$ 84,613 |
| Investments | 879,759 |
| Hotel Occupancy Tax Receivable | 13,103 |
| Event receivables | 13,275 |
| State revenue Sharing Receivable | 37,478 |
| Prepaid Insurance | <u>87,996</u> |

Total Current Assets 1,116,224

RESTRICTED ASSETS

| | |
|---------------------------|----------------|
| Cash - Sinking Fund | 33,733 |
| Investments | 929,865 |
| Ad Valorem Tax Receivable | <u>387,272</u> |

Total Restricted Assets 1,350,870

BOND ISSUANCE COSTS, Net

97,550

CAPITAL ASSETS

| | |
|--------------------------|--------------------|
| Land | 2,188,430 |
| Land improvements | 2,195,789 |
| Facility | 19,086,401 |
| Facility equipment | 502,152 |
| Furniture and fixtures | 378,305 |
| Accumulated depreciation | <u>(2,121,416)</u> |

Total Capital Assets 22,229,661

Total Assets \$ 24,794,305

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

NORTHSHORE HARBOR CENTER DISTRICT
Sidell, Louisiana
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------|---------------|
| Accounts Payable | \$ 20,966 |
| Accrued Liabilities | 39,293 |
| Facility deposits | <u>22,783</u> |
| Total Current Liabilities | <u>83,042</u> |

PAYABLE FROM RESTRICTED ASSETS

| | |
|--|----------------|
| Accrued Interest Payable | 122,815 |
| Current Portion of General Obligations Bonds Payable | <u>705,000</u> |
| Total Liabilities Payable from Restricted Assets | <u>827,815</u> |

LONG-TERM LIABILITIES

| | |
|----------------------------------|------------------|
| General Obligation Bonds Payable | <u>8,310,000</u> |
| Total Liabilities | <u>9,220,857</u> |

NET ASSETS

| | |
|---|----------------------|
| Invested in capital assets, net of related debt | 13,214,661 |
| Temporarily restricted net assets: | |
| Restricted for re-payment of bond issue and future construction costs | 1,228,055 |
| Unrestricted | <u>1,130,732</u> |
| Total Net Assets | <u>\$ 15,573,448</u> |

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the year ended December 31, 2009

OPERATING REVENUES

| | |
|--------------------------|----------------|
| Hotel Occupancy Taxes | \$ 237,998 |
| Facilities rental | 398,928 |
| State revenue sharing | 62,184 |
| State appropriations | <u>237,809</u> |
| Total Operating Revenues | <u>936,919</u> |

OPERATING EXPENSES

| | |
|---------------------------------------|------------------|
| Salaries and Wages | 422,609 |
| Insurance | 230,142 |
| Accounting | 20,278 |
| Advertising | 57,734 |
| Communication | 33,721 |
| Office supplies | 21,920 |
| Event expense | 91,376 |
| Legal and other Professional Services | 47,192 |
| Utilities | 124,622 |
| Payroll Tax | 35,103 |
| Retirement | 3,158 |
| Auto | 6,300 |
| Miscellaneous | 8,541 |
| Employee Insurance | 77,912 |
| Training and Conferences | 2,370 |
| Dues and Subscriptions | 3,138 |
| Travel | 6,259 |
| Postage | 508 |
| Repairs and maintenance | 85,873 |
| Bank Service Fees | 3,191 |
| Depreciation | <u>720,678</u> |
| Total Operating Expenses | <u>2,002,625</u> |

INCOME (LOSS) FROM OPERATIONS

(1,065,706)

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the year ended December 31, 2009

| | |
|--|-----------------------------|
| NON-OPERATING REVENUES (EXPENSES) | |
| Ad Valorem Taxes | 2,520,907 |
| Interest Income | 9,913 |
| Interest Expense | (426,688) |
| Bond Issuance Expense | <u>(10,198)</u> |
| Total Non-Operating Revenues | <u>2,093,934</u> |
| INCREASE IN NET ASSETS | 1,028,228 |
| NET ASSETS - BEGINNING OF PERIOD | <u>14,545,220</u> |
| NET ASSETS - END OF PERIOD | <u>\$ 15,573,448</u> |

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS
For the year ended December 31, 2009

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from Hotel Occupancy Taxes | \$ 241,833 |
| Cash received from general revenues | 396,792 |
| Cash received from state revenue sharing and appropriations | 262,515 |
| Cash paid for Salaries and Related Benefits | (546,320) |
| Cash payments for Operating Expenses and Administrative Expenses | <u>(716,669)</u> |
| Net Cash Used by Operating Activities | <u>(361,849)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Cash received from Ad Valorem taxes | 2,134,066 |
| Cash received from interest | 9,913 |
| Principal payments on Bonds Payable | (2,080,000) |
| Payments for Bond Interest Costs | (469,366) |
| Payments for purchases of furniture, fixtures and equipment | <u>(108,000)</u> |
| Net Cash Used by Investing Activities | <u>(513,387)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of Investment Securities | (2,695,279) |
| Proceeds from Investment Securities | <u>3,451,176</u> |
| Net Cash Provided by Investing Activities | <u>755,897</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (119,339) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>237,685</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 118,346</u> |

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS (Continued)
For the year ended December 31, 2009

**RECONCILIATION OF LOSS FROM OPERATIONS TO
NET CASH USED BY OPERATING ACTIVITIES**

| | |
|---|---------------------|
| Operating loss | \$ (1,065,706) |
| Adjustments to Reconcile Income from Operations to Net Cash Used by Operating Activities | |
| Depreciation expense | 720,678 |
| Decrease in Hotel Occupancy Tax Receivable | 3,835 |
| (Increase) in State Revenue Sharing Receivable | (37,478) |
| (Increase) in other receivables | (6,446) |
| Decrease in Prepaid Expenses | 3,176 |
| Increase in Accrued Liabilities and facility rental deposits | <u>20,092</u> |
| Net Cash Used by Operating Activities | <u>\$ (361,849)</u> |

**RECONCILIATION OF TOTAL CASH AND CASH
EQUIVALENTS**

| | |
|---------------------------------|-------------------|
| Current Assets | \$ 84,613 |
| Restricted Assets | <u>33,733</u> |
| Total Cash and Cash Equivalents | <u>\$ 118,346</u> |

NONCASH INVESTING AND FINANCING ACTIVITIES

| | |
|--|-----------------|
| Interest Earned and re-invested in LAMP accounts | <u>\$ 9,297</u> |
|--|-----------------|

CASH PAID FOR INTEREST

| | |
|--|-------------------|
| | <u>\$ 459,168</u> |
|--|-------------------|

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A

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 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 the Statement as of July 1, 2003. The District's significant accounting policies are explained in the following note disclosures:

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. Pursuant to Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements.

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.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and Convention Commission. The Board is appointed by the following entities and individuals:

| <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 |
| Greater Slidell Area Chamber of Commerce, Inc. | 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.

INVESTMENTS

Investments include the District's investment in United States Treasury bills and notes and its investment balance with the Louisiana Asset Management Pool, Inc. (LAMP), a State sponsored external investment pool.

Under Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, issued by the Governmental Accounting Standards Board, United States Treasury obligations with a remaining maturity at time of purchase of one year or less may be reported at amortized cost. As such, the District's investment in United States Treasury bills and notes are stated at amortized cost since these investments have maturities of less than one year.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BOND ISSUANCE COSTS

Bond issuance costs associated with the General Obligations Bonds issued by the District have been accounted for as a deferred charge (an asset) and are amortized over the life of the bonds.

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 seven years for furniture, fixtures and facility equipment and forty years for the facility building. Depreciation expense for the year ended December 31, 2009 was \$ 720,678.

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.

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 ASSETS

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

Invested in capital assets, net of related debt – 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 assets used by creditors, grantors, contributors, or laws or regulations of the government or constraints imposed by law through constitutional provisions or enabling legislation.

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

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Hotel Occupancy taxes and facilities rentals. These revenues are available to pay the general operating expenses of the District.

NOTE B

CASH AND CASH EQUIVALENTS

At December 31, 2009, the District has cash and cash equivalents (book balances) totaling \$118,346 as follows:

| | |
|----------------------------------|-----------------------|
| Demand Deposits | \$ 84,613 |
| Interest-Bearing Demand Deposits | <u>33,733</u> |
| Total Deposits | <u>\$ 118,346</u> |

At December 31, 2009, the bank balance of deposits with financial institutions totaled \$122,979. This balance is entirely insured and collateralized by securities held by the District's agent in the District's name.

NOTE C

INVESTMENTS

All securities held at December 31, 2009 are held in the trust department of a custodial bank selected by the District.

At December 31, 2009, the District's investments, as referenced in Note A, are comprised of:

Government Pool:

| | |
|-----------------------|-------------------------|
| LAMP – Unrestricted | \$ 879,759 |
| LAMP – Restricted | <u>929,865</u> |
| Total Investments | <u>\$ 1,809,624</u> |

Government Pool investments as of December 31, 2009 are invested in LAMP, a local government investment pool, and are stated at fair value. The investment in LAMP at December 31, 2009, has a credit rating of AAAM by Standard & Poors. LAMP is administered by LAMP, Inc., which is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE C
INVESTMENTS (Continued)

Louisiana, and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

NOTE D
BONDS PAYABLE

Bonds Payable at December 31, 2009 consists of two bond issues. The first is \$8,600,000 of General Obligation Bonds (the Bonds), Series 1999. The proceeds from the Bonds are to be used for the construction of the Events Center. Interest ranging from 4% to 7%, is payable semi-annually on March 1 and September 1 of each year through 2019.

On August 1, 2004 the District issued \$ 5,000,000 of General Obligation Bonds, Series 2004, due between March 1, 2005 and March 1, 2024. The proceeds of the bonds are being used to complete the construction of phase one of the Events Center and to construct the kitchen at the Events Center.

Interest ranging from 3.75% to 5%, is payable semi-annually on March 1 and September 1 of each year through 2024.

A summary of changes in long-term liabilities follows:

| | <u>December 31, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2009</u> | <u>Amounts due within one year</u> |
|---------------|--------------------------|------------------|--------------------|--------------------------|--|
| Bonds Payable | \$ 11,095,000 | \$ - | \$ (2,080,000) | \$ 9,015,000 | \$ 705,000 |
| | <u>\$ 11,095,000</u> | <u>\$ -</u> | <u>(2,080,000)</u> | <u>\$ 9,015,000</u> | <u>\$ 705,000</u> |

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE D
BONDS PAYABLE (Continued)

Scheduled debt service payments, including interest, on the Bonds (Series 1999) are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2010 | 505,000 | 246,500 | 751,500 |
| 2011 | 535,000 | 225,700 | 760,700 |
| 2012 | 560,000 | 203,800 | 763,800 |
| 2013 | 590,000 | 180,800 | 770,800 |
| 2014-2018 | <u>2,825,000</u> | <u>474,700</u> | <u>3,299,700</u> |
| | <u>\$ 5,015,000</u> | <u>\$ 1,320,187</u> | <u>\$ 6,346,500</u> |

Scheduled debt service payments, including interest, on the Bonds (Series 2004) are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2010 | 200,000 | 195,000 | 395,000 |
| 2011 | 200,000 | 185,000 | 385,000 |
| 2012 | 210,000 | 174,750 | 384,750 |
| 2013 | 225,000 | 163,875 | 388,875 |
| 2014-2018 | 1,295,000 | 635,625 | 1,930,625 |
| 2019-2024 | <u>1,870,000</u> | <u>288,250</u> | <u>2,158,250</u> |
| | <u>\$ 4,000,000</u> | <u>\$ 1,563,428</u> | <u>\$ 5,642,500</u> |

Total debt service requirements including interest, on the Series 1999 bonds and the Series 2004 bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|----------------------|
| 2010 | 705,000 | 441,500 | 1,146,500 |
| 2011 | 735,000 | 410,700 | 1,145,700 |
| 2012 | 770,000 | 378,550 | 1,148,550 |
| 2013 | 815,000 | 344,675 | 1,159,675 |
| 2014-2018 | 4,120,000 | 1,110,325 | 5,230,325 |
| 2019-2024 | <u>1,870,000</u> | <u>288,250</u> | <u>2,158,250</u> |
| | <u>\$ 9,015,000</u> | <u>\$ 2,974,000</u> | <u>\$ 11,989,000</u> |

During 2007, the voters approved the current authorized millage of 4 mills for debt service, of which the Board approved the collection of 3.15 mills and 3 mills for operations of which the Board authorized the collection of 2.33 mills.

In accordance with the Bond Agreements, the District has established a separate cash account (the Sinking Fund) into which the District deposits the proceeds from the collections of the Ad Valorem tax. Funds are transferred from the Sinking Fund to the paying agent for the payment of principal and interest.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE D

BONDS PAYABLE (Continued)

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. As of December 31, 2009, the District was in compliance with these statutes.

NOTE E

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 F

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 for the year ended December 31, 2009 was \$3,158.

NOTE G

CAPITAL ASSETS

The District's capital assets are listed below:

| | December 31, 2008 | Additions | Deletions | December 31, 2009 |
|------------------------|----------------------|---------------------|-------------|----------------------|
| Land | \$ 2,188,430 | \$ - | \$ - | \$ 2,188,430 |
| Land improvements | 2,195,789 | | | 2,195,789 |
| Facility | 19,086,401 | | | 19,086,401 |
| Furniture and fixtures | 270,305 | 108,000 | | 378,305 |
| Facility equipment | 502,152 | | | 502,152 |
| Accum depreciation | (1,400,738) | (720,678) | | (2,121,416) |
| | <u>\$ 22,560,933</u> | <u>\$ (612,678)</u> | <u>\$ -</u> | <u>\$ 22,229,661</u> |

Furniture and fixtures were placed in service during the year. Depreciation expense has been recorded in the amount of \$720,678 as of December 31, 2009 by the District.

NOTE H

TEMPORARILY RESTRICTED NET ASSETS

The District's temporarily restricted net assets 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.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE I

LEASE AGREEMENT

The District has one operating lease for a copy machine. The lease was renewed on April 8, 2009 and has a 60 month term with a purchase option at the end of the term. Payments under the lease are \$ 329.37 per month. Total lease expense for the year ending December 31, 2009 was \$5,948.

Future minimum payments under this lease are as follows:

| <u>Fiscal Year End</u> | <u>Lease Commitment</u> |
|------------------------|-------------------------|
| December 31, 2010 | \$3,952 |
| December 31, 2011 | \$3,952 |
| December 31, 2012 | \$3,952 |
| December 31, 2013 | \$3,952 |
| December 31, 2014 | <u>\$ 988</u> |
| Total | <u>\$16,796</u> |

NOTE J

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2010.

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. Interest ranging from 2.00% to 3.25% is payable semi-annually on March 1 and September 1 of each year through March 2018. The bonds were issued for the purpose of refunding the District's \$4,510,000 General Obligation Bonds, Series 1999, dated June 1, 1999.



**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 the financial statements of the business-type activities of the Northshore Harbor Center District (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2010. 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 District's internal control over financial 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 statements 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*.

This report is intended solely for the information of the Northshore Harbor Center District and its management, federal and state awarding agencies and pass-through entities and the Legislative Auditor of Louisiana and is not intended to be, and should not be, anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC

HIENZ & MACALUSO, L.L.C.
Metairie, LA

June 24, 2010

**NORTHSHORE HARBOR CENTER DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section I – Summary of Auditor’s Results:

1. The auditor’s report expresses an *unqualified 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 material to the financial statements of the Northshore Harbor Center District were disclosed during the audit.

Section II – Financial Statement Findings and Questioned Costs:

There were no financial statement findings for the year ended December 31, 2009.

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, 2009

**NORTHSHORE HARBOR CENTER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section I – Financial Statement Findings and Questioned Costs:

See finding 2008-01 below.

Section II – Federal Award Findings and Questioned Costs:

Not applicable.

Section III – Management Letter:

2008-01

Check Signing

The District's internal policies and procedures require that all checks \$3,000 and greater be signed by two authorized signatures on the bank account. During the course of our audit, we noted a number of instances where that policy was not followed. By not properly following the established check signing procedures, there is an increased likelihood of a misstatement of the financial statements that will not be detected by District personnel. We recommend that the District take the appropriate steps to ensure that check signing policies and procedures are followed as written.

This finding was corrected in the current year.

**NORTHSHORE HARBOR CENTER DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no current year findings.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended December 31, 2009.