

HARBOR CENTER DISTRICT

SLIDELL, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Harbor Center District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Harbor Center District, Slidell, Louisiana, as of and for the year ended December 31, 2020 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 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 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 opinion.

To the Commissioners of the
Harbor Center District

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 the Harbor Center District, as of December 31, 2020 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Harbor Center District as of and for the year ended December 31, 2019, were audited by other auditors whose report dated June 29, 2020, expressed an unmodified opinion on those statements.

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.



To the Commissioners of the
Harbor Center District

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 July 26, 2021 on our consideration of the 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 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 the Harbor Center District's internal control over financial reporting and compliance.

July 26, 2021
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

***HARBOR CENTER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020***

This section of the 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, 2020. Please read it in conjunction with the financial statements in this report.

Financial Highlights

The assets of the District exceeded its liabilities by \$21,915,766. Net position decreased \$874,164 from December 31, 2019.

During the year, the District's total operating revenues, which consists primarily of hotel occupancy taxes, facility rental fees and state appropriations, decreased by \$246,478 from December 31, 2019. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, decreased by \$1,433 from December 31, 2019.

The District had an decrease in operating expenses of \$247,376 from December 31, 2019.

The District reduced the principal balance of its general obligation bonds by \$220,000 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 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 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.

**HARBOR CENTER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Summary of Revenue, Expenses and Changes in Net Position

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

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

	2020	2019
Operating Revenue		
Hotel Occupancy Taxes	\$ 321	\$ 340
Other General Revenues	301	528
	622	868
Total Operating Revenue		
Operating Expenses:		
Depreciation	652	633
Salaries and Benefits	586	641
Insurance	155	151
Repairs & Maintenance	101	117
Utilities	106	146
Advertising	43	69
Legal & Other Professional Services	17	77
Event Expense	18	58
Communication	38	32
Accounting	15	30
Other Operating Expenses	26	49
	1,757	2,003
Total Operating Expenses		
Income (loss) from Operations	(1,135)	(1,135)
Non-operating Expenses	(33)	(35)
Non-operating Revenues	294	295
	261	260
Total Non-Operating Revenues (net)		
Change in Net Position	(874)	(875)
Net Position - Beginning of Year	22,790	23,665
Net Position - End of Year	\$ 21,916	\$ 22,790

**HARBOR CENTER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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Net Position - End of Year	<u>\$ 21,916</u>	<u>\$ 22,790</u>

**HARBOR CENTER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Sources of Revenue

Operating Revenue

Operating revenues consist primarily of hotel occupancy taxes collected within Wards 8 and 9 of St. Tammany Parish, state appropriations 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 \$136,984.

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 0.33 mills for bond repayment.

Operating and Financial Performance

The following summarizes the District's Statements of Revenue, Expenses and Changes in Net Position between December 31, 2019 and December 31, 2020:

Total operating revenues, derived from hotel occupancy taxes, ad valorem tax, facility rental fees and state appropriations, decreased by \$246,478 from December 31, 2019. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, decreased \$1,433 from December 31, 2019.

Total operating expenses decreased by \$247,376, or 12.34%, from December 31, 2019.

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 \$32,835 for the year ended December 31, 2020.

**HARBOR CENTER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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

	2020	2019	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	1,059	922	137	14.86%
Furniture & Fixtures	453	453	-	0.00%
Sign	945	923	22	2.38%
Construction in Progress	3	8	(5)	100.00%
Accumulated Depreciation	(9,351)	(8,699)	(652)	7.50%
Total Capital Assets	<u>\$ 16,591</u>	<u>\$ 17,089</u>	<u>\$ (498)</u>	

Total property, plant and equipment decreased by \$498,309 due mainly to increased accumulated depreciation offset by current year additions. Depreciation expense has been recognized on capital assets in the amount of \$651,512 for the year ended December 31, 2020.

Long-Term Debt

At December 31, 2020, the District had \$880,000 of general obligations bonds outstanding. The District made principal payments in the amount of \$220,000 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

Due to Covid occupancy restrictions, rentals in the first four months of 2021 were greatly reduced. An increased, more traditional pattern of rentals are in place for the remainder of the year and management is working aggressively to further increase rentals. Hotel occupancy tax revenue is projected to be significantly higher in 2021 due to collection of an additional \$1 per room night (for a total of \$2 per night) which was levied effective January 1, 2021. The District will also receive income from the St. Tammany Parish Fund. The District continues to have strong reserves. The decreased rentals and reduced expenses were expected and incorporated when creating the 2021 budget and the District expects to be near total income projections for the year ending December 31, 2021.

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.

**HARBOR CENTER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS

CURRENT ASSETS:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,666,955	\$ 6,468,983
Hotel occupancy tax receivable	28,052	2,324
Other receivables	1,036	-
Prepaid expenses	93,375	94,433
	<hr/>	<hr/>
Total Current Assets	5,789,418	6,565,740
	<hr/>	<hr/>
NONCURRENT ASSETS:		
RESTRICTED ASSETS:		
Cash and cash equivalents	259,762	291,997
Ad valorem tax receivable	204,582	27,565
	<hr/>	<hr/>
Total Restricted Assets	464,344	319,562
	<hr/>	<hr/>
CAPITAL ASSETS:		
Land	2,188,430	2,188,430
Land improvements	2,195,790	2,195,790
Facility	19,097,848	19,097,848
Facility equipment	1,059,310	922,435
Furniture and fixtures	453,381	453,381
Sign	944,290	922,873
Construction in progress	2,931	8,020
Accumulated depreciation	(9,350,942)	(8,699,430)
	<hr/>	<hr/>
Total Capital Assets, net	16,591,038	17,089,347
	<hr/>	<hr/>
Total Noncurrent Assets	17,055,382	17,408,909
	<hr/>	<hr/>
Total Assets	22,844,800	23,974,649
	<hr/>	<hr/>

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

**HARBOR CENTER DISTRICT
STATEMENTS OF NET POSITION (Continued)
DECEMBER 31, 2020 AND 2019**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	<u>2020</u>	<u>2019</u>
Accounts payable	22,358	34,275
Accrued liabilities	6,852	25,902
Facility deposits	<u>13,488</u>	<u>18,206</u>
 Total Current Liabilities	 <u>42,698</u>	 <u>78,383</u>
 NONCURRENT LIABILITIES:		
 PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest payable	6,336	6,336
Current portion of general obligations bonds payable	<u>215,000</u>	<u>220,000</u>
 Total Liabilities Payable from Restricted Assets	 <u>221,336</u>	 <u>226,336</u>
 LONG-TERM LIABILITIES:		
General obligation bonds payable (less current portion)	<u>665,000</u>	<u>880,000</u>
 Total Liabilities	 <u>929,034</u>	 <u>1,184,719</u>
 NET POSITION:		
Net investment in capital assets	15,711,038	15,989,347
Restricted:		
Restricted for re-payment of bond issue and future construction costs	458,008	313,226
Unrestricted	<u>5,746,720</u>	<u>6,487,357</u>
 Total Net Position	 <u>\$ 21,915,766</u>	 <u>\$ 22,789,930</u>

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

**HARBOR CENTER DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

OPERATING REVENUES:	<u>2020</u>	<u>2019</u>
Hotel occupancy taxes	\$ 320,872	\$ 340,082
State appropriations	144,839	180,789
Facilities rental	136,984	307,977
Other income	19,100	39,425
Total Operating Revenues	<u>621,795</u>	<u>868,273</u>
OPERATING EXPENSES:		
Depreciation	651,512	632,955
Salaries and wages	447,581	501,572
Insurance	155,300	151,393
Repairs and maintenance	101,367	145,635
Utilities	105,943	116,630
Employee insurance	95,355	90,748
Advertising	43,162	77,058
Communication	37,979	68,831
Payroll taxes	35,829	58,404
Event expense	18,149	41,647
Legal and other professional services	17,286	31,889
Accounting	14,865	30,340
Office supplies	9,494	15,130
Retirement	6,956	11,120
Auto	6,335	7,166
Contract labor	4,627	6,594
Dues and subscriptions	3,037	5,267
Bank service fees	720	5,180
Travel	584	2,734
Miscellaneous	280	1,891
Training and conferences	-	1,553
Total Operating Expenses	<u>1,756,361</u>	<u>2,003,737</u>
OPERATING LOSS	<u>(1,134,566)</u>	<u>(1,135,464)</u>

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

**HARBOR CENTER DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NON-OPERATING REVENUES (EXPENSES):	<u>2020</u>	<u>2019</u>
Ad valorem taxes	215,910	208,709
Interest income	77,934	86,568
Interest expense	(32,835)	(34,401)
Bond issuance expense	(607)	(257)
	<hr/>	<hr/>
Total Non-Operating Revenues, net	260,402	260,619
	<hr/>	<hr/>
CHANGE IN NET POSITION	(874,164)	(874,845)
NET POSITION - BEGINNING OF YEAR	22,789,930	23,664,775
	<hr/>	<hr/>
NET POSITION - END OF YEAR	<u>\$ 21,915,766</u>	<u>\$ 22,789,930</u>

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

**HARBOR CENTER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2020</u>	<u>2019</u>
Cash received from hotel occupancy taxes	\$ 295,144	\$ 365,603
Cash received from customers	131,230	293,198
Cash received from state revenue sharing and appropriations	144,839	180,789
Cash received from other operating receipts	19,100	39,425
Cash paid for salaries and related benefits	(611,106)	(644,486)
Cash paid for operating expenses	<u>(535,103)</u>	<u>(689,244)</u>
Net Cash Provided (Used) by Operating Activities	<u>(555,896)</u>	<u>(454,715)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received from ad valorem taxes	38,893	554,086
Cash received from interest	77,934	86,568
Principal payments on bonds payable	(220,000)	(215,000)
Payments for bond interest costs	(21,991)	(37,790)
Purchases of capital assets	<u>(153,203)</u>	<u>(168,311)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(278,367)</u>	<u>219,553</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(834,263)	(235,162)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,760,980</u>	<u>6,996,142</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,926,717</u>	<u>\$ 6,760,980</u>

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

**HARBOR CENTER DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

	<u>2020</u>	<u>2019</u>
Operating loss	\$ (1,134,566)	\$ (1,135,464)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	651,512	632,955
Decrease (increase) in hotel occupancy tax receivable	(25,728)	25,521
Decrease (increase) in other receivables	(1,036)	-
Decrease (increase) in prepaid expenses	(10,393)	10,375
(Decrease) increase in accounts payable	(11,917)	30,030
(Decrease) increase in accrued liabilities	(19,050)	(3,353)
(Decrease) increase in facility deposits	(4,718)	(14,779)
Net Cash Provided (Used) by Operating Activities	<u>\$ (555,896)</u>	<u>\$ (454,715)</u>

**RECONCILIATION OF TOTAL CASH AND CASH
EQUIVALENTS**

Cash and cash equivalents	\$ 5,666,955	\$ 6,468,983
Restricted cash and cash equivalents	<u>259,762</u>	<u>291,997</u>
Total Cash and Cash Equivalents	<u>\$ 5,926,717</u>	<u>\$ 6,760,980</u>

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

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 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:

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.

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 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, the 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.

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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.

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2020 and 2019, the District has cash (book balances) as follows:

	<u>2020</u>	<u>2019</u>
Interest-bearing demand deposits	<u>\$5,926,717</u>	<u>\$6,760,980</u>

At December 31, 2020, the cash bank balance with a local financial institution totaled \$5,940,497. \$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, 2019, the cash bank balance with a local financial institution totaled \$6,602,415. \$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 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 2019, the board levied 0.33 mills for the 2020 calendar year for bonds. In June of 2018, the board levied 0.33 mills for the 2019 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, 2020 and 2019, the District was in compliance with these statutes.

A summary of the changes in bonds payable follows:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>	<u>Amounts due within one year</u>
Bonds Payable	\$ 1,100,000	\$ -	\$ (220,000)	\$ 880,000	\$ 215,000
	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ (220,000)</u>	<u>\$ 880,000</u>	<u>\$ 215,000</u>

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 – BONDS PAYABLE (Continued)

	December 31, 2018	Additions	Deletions	December 31, 2019	Amounts due within one year
Bonds Payable	\$ 1,315,000	\$ -	\$ (215,000)	\$ 1,100,000	\$ 220,000
	\$ 1,315,000	\$ -	\$ (215,000)	\$ 1,100,000	\$ 220,000

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

	Principal	Interest	Total
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
	\$ 880,000	\$ 38,340	\$ 918,340

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 \$6,956 and \$7,166 for the years ended December 31, 2020 and 2019, respectively.

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – CAPITAL ASSETS

The District's capital assets are listed below:

	December 31, 2019	Additions	Transfers	December 31, 2020
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	922,435	136,875	-	1,059,310
Furniture and fixtures	453,381	-	-	453,381
Sign	922,873	13,397	8,020	944,290
Construction in progress	8,020	2,931	(8,020)	2,931
Accumulated depreciation	(8,699,430)	(651,512)	-	(9,350,942)
	<u>14,900,917</u>	<u>(498,309)</u>	<u>-</u>	<u>14,402,608</u>
	<u>\$ 17,089,347</u>	<u>\$ (498,309)</u>	<u>\$ -</u>	<u>\$ 16,591,038</u>
	December 31, 2018	Additions	Transfers	December 31, 2019
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	764,871	157,564	-	922,435
Furniture and fixtures	450,654	2,727	-	453,381
Sign	922,873	-	-	922,873
Construction in progress	-	8,020	-	8,020
Accumulated depreciation	(8,066,475)	(632,955)	-	(8,699,430)
	<u>15,365,561</u>	<u>(464,644)</u>	<u>-</u>	<u>14,900,917</u>
	<u>\$ 17,553,991</u>	<u>\$ (464,644)</u>	<u>\$ -</u>	<u>\$ 17,089,347</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.

**HARBOR CENTER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019 was \$4,355 and \$4,630, respectively.

Future minimum payments under this lease are as follows:

<u>Calendar Year End</u>	<u>Lease Commitment</u>
December 31, 2021	\$ 4,008
December 31, 2022	4,008
	<u>\$ 8,016</u>

NOTE 9 – SUBSEQUENT EVENT

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries could be severely impacted for months or more, as governments take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options at this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**HARBOR CENTER DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
DECEMBER 31, 2020**

Agency Head Name: Kathy Lowrey

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 87,839
Benefits - insurance	14,670
Benefits - retirement	1,300
Car allowance	<u>6,300</u>
Total	<u>\$110,109</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
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 the Harbor Center District, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Harbor Center District's basic financial statements, and have issued our report thereon dated July 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Harbor Center District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.



To the Commissioners of the
Harbor Center District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

July 26, 2021
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

**HARBOR CENTER DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section I – Summary of Auditor’s Results:

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

Section II – Financial Statement Findings:

There were no financial statement findings for the year ended December 31, 2020.

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, 2020.

**HARBOR CENTER DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2019.