

**ERNEST N. MORIAL NEW ORLEANS  
EXHIBITION HALL AUTHORITY**

Audits of Financial Statements

December 31, 2016 and 2015



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## Independent Auditor's Report

To the Board of Commissioners  
Ernest N. Morial New Orleans Exhibition Hall Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in conformity 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 4 through 10, 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 (GASB) 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The 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 information is the responsibility of management and was derived from and relate 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 schedule of compensation, benefits, and other payments to the agency head 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 March 16, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
March 14, 2017

# **ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

## **Management's Discussion and Analysis**

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The Management's Discussion and Analysis of the Ernest N. Morial New Orleans Exhibition Hall Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2016 and 2015. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available). Please read it in conjunction with the Authority's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The Authority's mission is to plan, finance, construct, and manage a convention and exhibition center in the City of New Orleans. In support of this mission, the following are notable financial results from 2016:

- 2016 saw a similar number of events as 2015, with an increase in room nights of 6% and out of town attendance of 7%; total attendee figures decreased by 2%
- Net position increased by \$26MM, an increase of 5.1% from prior year
- Cash flows increased by \$56MM due to investment activities
- Tax revenues remained the same year over year, with all debt covenants having been met

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements. The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position.

The Statements of Net Position present financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Management's Discussion and Analysis

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### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Net Position

The net position, detailed in Table A-1, summarizes the value of the Authority as a whole. The following items are of particular interest:

- 2016 total assets increased \$20MM or 3.1%
- The downward trend of liabilities continues with a 4.7% reduction since 2015 and a 7.8% decrease since 2014 as a result of bond refunding and re-payments
- The Authority continues to experience an increase in Net Position reaching \$531MM at December 31, 2016

**Table A-1**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Condensed Statements of Net Position (in thousands of dollars)**  
**December 31, 2016, 2015, and 2014**

	2016	2015	2014
Current Assets	\$ 152,475	\$ 168,746	\$ 206,008
Designated and Restricted Assets	148,966	99,646	32,620
Capital Assets	351,306	364,279	373,418
<b>Total Assets</b>	<b>652,747</b>	<b>632,671</b>	<b>612,046</b>
Unamortized Loss on Bond Refinancing	2,250	2,512	2,775
<b>Total Deferred Outflows of Resources</b>	<b>2,250</b>	<b>2,512</b>	<b>2,775</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 654,997</b>	<b>\$ 635,183</b>	<b>\$ 614,821</b>
Current Liabilities	\$ 22,283	\$ 18,998	\$ 14,604
Long-Term Liabilities	101,310	110,736	119,413
<b>Total Liabilities</b>	<b>123,593</b>	<b>129,734</b>	<b>134,017</b>
Net Position:			
Net Investment in Capital Assets	245,665	249,831	251,811
Restricted	57,953	38,337	30,829
Unrestricted	227,786	217,281	198,164
<b>Total Net Position</b>	<b>531,404</b>	<b>505,449</b>	<b>480,804</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 654,997</b>	<b>\$ 635,183</b>	<b>\$ 614,821</b>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Management's Discussion and Analysis

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### Changes in Net Position

The change in net position detailed in Table A-2 and Graph B-1, highlight the factors that have contributed to the Authority's change in financial position:

- The operating loss decreased year over year with a decrease of 8.1% from 2015 to 2016 but a 6.6% increase since 2014
  - 2016 saw a 17% increase over 2015 in Facility Rental revenues due to favorably negotiated contract terms for 2016 events
  - The support of French Quarter heightened security was introduced in 2015 and continued in 2016, totaling \$1.25MM and \$1MM respectively
- Tax collections, shown in the Non-Operating Revenues line, reflect virtually no change from 2015 and continues to offset the operational loss.
- In 2016 the Authority recorded a \$2.1MM distribution to government agencies to reimburse the City of New Orleans for Downtown Infrastructure Improvement Projects

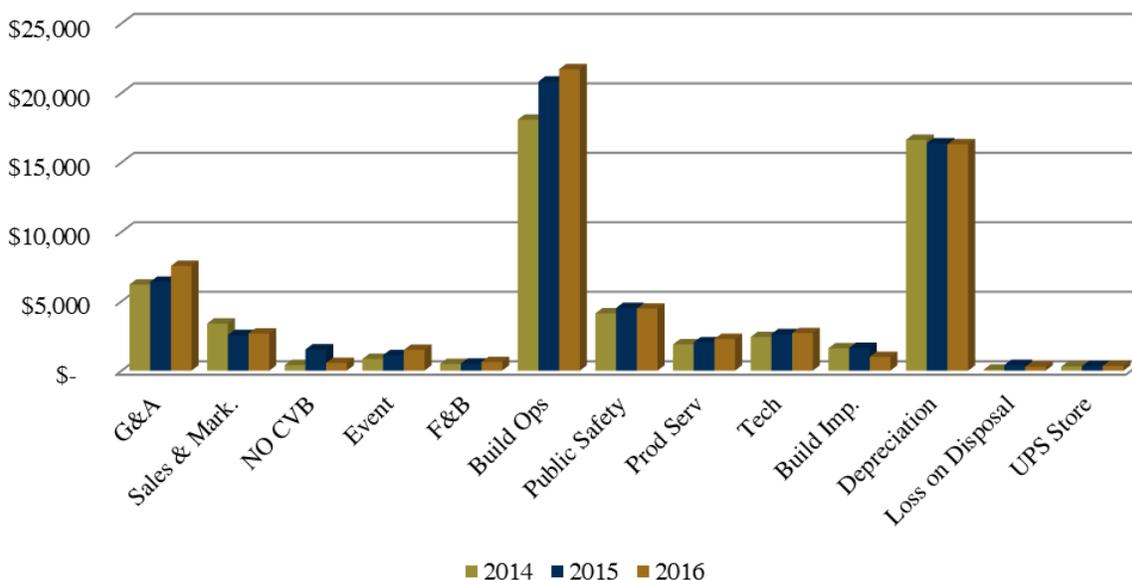
**Table A-2**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**  
**(in thousands of dollars)**  
**December 31, 2016, 2015, and 2014**

	2016	2015	2014
Operating Revenues:			
User Fees and Other Revenues	\$ 25,660	\$ 22,087	\$ 22,317
Food and Beverage	6,317	6,147	5,616
<b>Total Operating Revenues</b>	<b>31,977</b>	<b>28,234</b>	<b>27,933</b>
Operating Expenses:			
Operating Expenses	45,614	44,451	39,389
Depreciation	16,288	16,357	16,608
<b>Total Operating Expenses</b>	<b>61,902</b>	<b>60,808</b>	<b>55,997</b>
Operating Income (Loss)	(29,925)	(32,574)	(28,064)
Non-Operating Revenues, Net	55,880	57,219	49,288
<b>Change in Net Position</b>	<b>25,955</b>	<b>24,645</b>	<b>21,224</b>
<b>Net Position, Beginning of the Year</b>	<b>505,449</b>	<b>480,804</b>	<b>459,580</b>
<b>Net Position, End of the Year</b>	<b>\$ 531,404</b>	<b>\$ 505,449</b>	<b>\$ 480,804</b>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Management's Discussion and Analysis

**Graph B-1: Operating Expenses by Function**  
(in Thousands of dollars)



### Cash Flows

The Statement of Cash Flows, outlined in Table A-3, shows a summary of all inflow and outflow of cash and cash equivalents and is an indication of the Authority's financial health. Items of note include:

- 2016 saw an increase in investment sales and activities that were a result of investments made in 2015 to diversify the cash position
- In 2014 Capital and related financing activities accounted for the cost of the bond refunding and re-payment; in 2015 and 2016 it is scheduled debt payments and capital asset acquisitions

**Table A-3**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Condensed Statements of Cash Flows (in thousands of dollars)**  
**December 31, 2016, 2015, and 2014**

	2016	2015	2014
Cash Flows from:			
Operations	\$ (12,901)	\$ (13,750)	\$ (10,851)
Noncapital Financing	59,664	58,974	53,737
Capital and Related Financing Activities	(16,036)	(17,621)	(50,881)
Investing Activities	25,622	(27,508)	(10,079)
Net Increase (Decrease) in Cash	<u>\$ 56,349</u>	<u>\$ 95</u>	<u>\$ (18,074)</u>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Management's Discussion and Analysis

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

Capital Assets are various types of property that enable daily operations and contribute to an organization's ability to generate revenue.

- Through December 31, 2016 the Authority has invested approximately \$632.7MM in property, buildings and equipment; this figure is comprised of \$92.2MM not depreciated and \$540.5MM being depreciated
- 2016 resulted in a net increase in capital assets of approximately \$2.1MM
  - \$3.6MM of assets was added during the year
  - Approximately \$1.5MM in disposals were also recognized in 2016
- In 2015 the net increase was only \$800K due to a change in the capitalization policy, and in 2014 the increase was \$3.5MM
- Construction in progress continues to reflect the work related to the Convention Center Development District and ongoing capital improvements; The Great Hall remodel was the last major project completed and put into service in 2013

#### Debt Administration

The administration and repayment of debt has continued as scheduled:

- In 2016 almost \$7.9MM of bond principal payments were made; during 2015, \$6.2MM in bond principal payments were made
- During 2014, \$111MM in bond and loan principal payments were made, including the refunding of the 2004 Series bonds and the repayment of the Go Zone loan
- All debt covenants have been met; Continuing Disclosure reports are maintained in the official municipal repository

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The New Orleans Ernest N. Morial Convention Center is one of the greatest economic assets of the City of New Orleans and the State of Louisiana. As such, it is important to point out the overall economic impact the Center produces as well as highlight the key metrics that illustrate the non-financial performance of the organization:

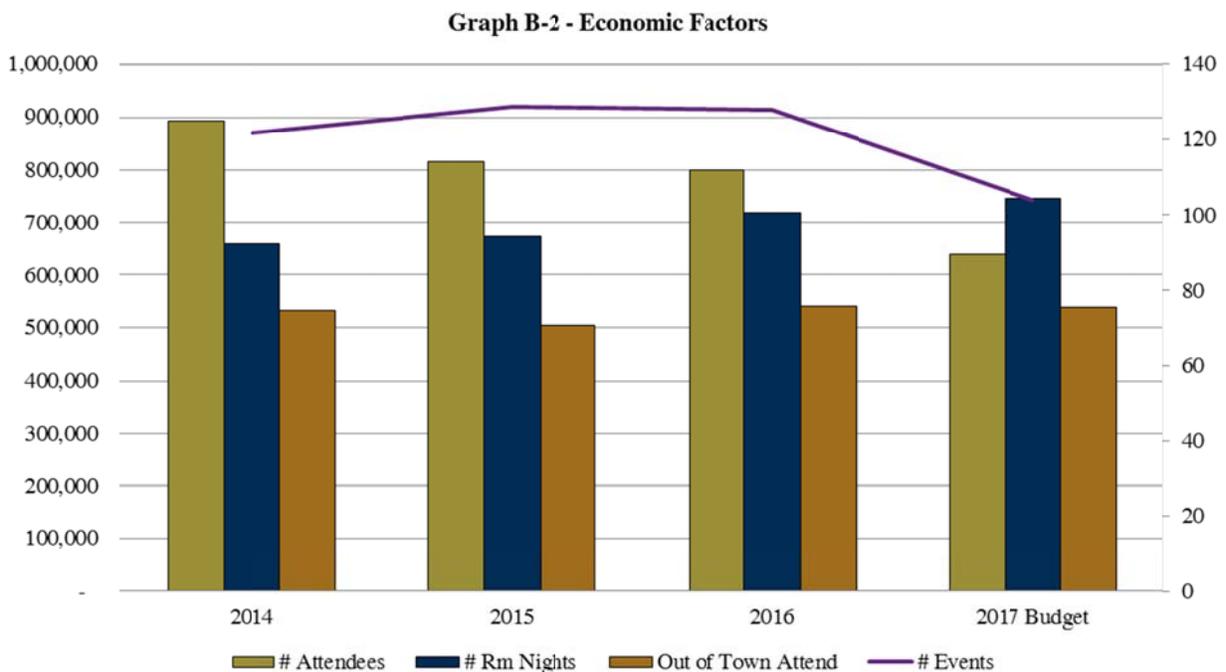
- The economic impact report for 2016 has not yet been completed
- The key measurements of the Center's economic impact for 2015 are as follows:
  - Total annual impact of \$1.9B; \$1B of direct spending and \$836.9MM of indirect spending
  - All spending resulted in \$143MM in tax revenues collected by the State and local governments
  - Almost 19,000 jobs were supported by the Center and created \$573.2MM in income for local residents

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Management's Discussion and Analysis

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)**

- Graph B-2 illustrates the key internal economic factors that effect the operating revenues and expenses:
  - 2016 saw a similar number of events as 2015, with an increase in room nights of 6% and out of town attendance of 7%; total attendee figures decrease by 2%
  - The 2017 budget estimates fewer events and total attendees, a greater number of room nights and similar number out of town attendance than 2016 (*Note: no assurances can be made that all anticipated conventions will occur thus increase in room nights and attendees may not be realized*)



## **ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

### **Management's Discussion and Analysis**

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#### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President of Finance and Administration, Alita Caparotta, at (504) 582-3022.

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**Statements of Net Position**  
**December 31, 2016 and 2015**

	2016	2015
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash	\$ 99,447,322	\$ 109,474,643
Investments	49,927,957	56,554,531
Accounts Receivable, Net	1,838,927	1,966,110
Interest Receivable	244,952	203,582
Prepaid Expenses and Other Assets	1,016,121	547,087
<b>Total Current Assets</b>	<b>152,475,279</b>	<b>168,745,953</b>
<b>Designated and Restricted Assets</b>		
Cash, Designated for Construction	13,958	239,103
Cash, Designated by Board for Future Specified Use	47,600,000	-
Cash, Restricted Primarily for Construction and Debt Service	5,436,854	5,435,094
Cash, Restricted to Satisfy Cooperative Endeavor Agreements	24,000,000	5,000,000
Investments, Designated by Board for Future Specified Use	41,174,335	58,702,148
Investments, Restricted for Debt Service	18,874,150	18,532,776
Interest Receivable	165,048	165,048
Taxes Receivable	11,701,569	11,572,325
<b>Total Designated and Restricted Assets</b>	<b>148,965,914</b>	<b>99,646,494</b>
<b>Property, Buildings, and Equipment, Net</b>	<b>351,306,334</b>	<b>364,278,685</b>
<b>Total Assets</b>	<b>652,747,527</b>	<b>632,671,132</b>
<b>Deferred Outflows of Resources</b>		
Unamortized Loss on Bond Refinancing	2,249,644	2,512,076
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 654,997,171</b>	<b>\$ 635,183,208</b>

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

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**Statements of Net Position (Continued)**  
**December 31, 2016 and 2015**

	2016	2015
<b>Liabilities and Net Position</b>		
<b>Current Liabilities (Payable from Current Assets)</b>		
Accounts Payable	\$ 6,003,588	\$ 4,197,437
Other Payables	1,421,140	1,232,109
Unearned Revenue, Current Portion	3,967,339	2,880,399
Compensated Absences, Current Portion	491,733	464,551
<b>Total Current Liabilities (Payable from Current Assets)</b>	<b>11,883,800</b>	<b>8,774,496</b>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Other Liabilities	178,064	176,787
Accrued Bond Interest	2,046,828	2,191,501
Current Portion of Bonds Payable	8,175,000	7,855,000
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<b>10,399,892</b>	<b>10,223,288</b>
<b>Total Current Liabilities</b>	<b>22,283,692</b>	<b>18,997,784</b>
<b>Long-Term Liabilities</b>		
Compensated Absences, Less Current Portion	311,921	372,050
Bonds Payable, Less Current Portion, Net	99,715,850	109,104,566
Unearned Revenue, Less Current Portion	1,282,124	1,259,413
<b>Total Long-Term Liabilities</b>	<b>101,309,895</b>	<b>110,736,029</b>
<b>Total Liabilities</b>	<b>123,593,587</b>	<b>129,733,813</b>
<b>Net Position</b>		
Net Investment in Capital Assets	245,665,128	249,831,193
Restricted Primarily for Debt Service, Construction, and CEA	57,952,729	38,336,954
Unrestricted	227,785,727	217,281,248
<b>Total Net Position</b>	<b>531,403,584</b>	<b>505,449,395</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 654,997,171</b>	<b>\$ 635,183,208</b>

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

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Operating Revenues</b>		
User Fees	\$ 25,154,870	\$ 21,553,011
Food and Beverage	6,317,207	6,146,661
The UPS Store	340,770	340,230
Rentals	159,380	185,392
Miscellaneous	5,053	8,046
<b>Total Operating Revenues</b>	<b>31,977,280</b>	<b>28,233,340</b>
<b>Operating Expenses</b>		
General and Administrative	7,534,376	6,390,685
Sales and Marketing	2,671,723	2,558,159
New Orleans Convention and Visitors Bureau	556,141	1,531,423
Event Services	1,496,878	1,116,706
Food Services	618,906	503,162
Building Operations	21,701,153	20,808,904
Public Safety	4,458,441	4,511,574
Production Services	2,277,288	2,036,787
Technology Services	2,703,732	2,625,884
Non-Capital, One-Time Projects	989,073	1,636,345
Depreciation	16,288,186	16,356,523
Loss on Disposal of Assets	272,328	408,747
The UPS Store	334,659	322,761
<b>Total Operating Expenses</b>	<b>61,902,884</b>	<b>60,807,660</b>
<b>Operating Loss</b>	<b>(29,925,604)</b>	<b>(32,574,320)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Tax Revenues	59,793,709	59,760,738
Investment Income	1,850,277	1,323,519
Interest Expense	(3,690,412)	(3,957,459)
Distribution to Government Agencies	(2,073,781)	-
Insurance Proceeds	-	92,605
<b>Total Non-Operating Revenues, Net</b>	<b>55,879,793</b>	<b>57,219,403</b>
<b>Change in Net Position</b>	<b>25,954,189</b>	<b>24,645,083</b>
<b>Net Position, Beginning of Year</b>	<b>505,449,395</b>	<b>480,804,312</b>
<b>Net Position, End of Year</b>	<b>\$ 531,403,584</b>	<b>\$ 505,449,395</b>

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

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash Received from User Fees	\$ 26,100,497	\$ 22,737,719
Cash Received from Other Sources	6,841,441	6,613,622
Cash Paid to Employees and for Related Expenses	(25,214,645)	(24,219,541)
Cash Paid to Suppliers	(20,628,427)	(18,881,490)
<b>Net Cash Used in Operating Activities</b>	<b>(12,901,134)</b>	<b>(13,749,690)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash Received from Taxes	59,664,466	58,973,693
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>59,664,466</b>	<b>58,973,693</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and Construction of Capital Assets	(3,394,588)	(7,541,396)
Interest Paid	(4,786,372)	(3,972,050)
Insurance Proceeds	-	92,605
Repayment of Bonds	(7,855,000)	(6,200,000)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(16,035,960)</b>	<b>(17,620,841)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Investment Securities	(105,437,130)	(124,860,786)
Investment Sales and Maturities	129,423,330	95,674,246
Interest Payments Received	1,635,722	1,678,678
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>25,621,922</b>	<b>(27,507,862)</b>
<b>Net Increase in Cash</b>	<b>56,349,294</b>	<b>95,300</b>
<b>Cash, Beginning of Year</b>	<b>120,148,840</b>	<b>120,053,540</b>
<b>Cash, End of Year</b>	<b>\$ 176,498,134</b>	<b>\$ 120,148,840</b>
<b>Reconciliation to Statements of Net Position</b>		
Cash - Current Assets	\$ 99,447,322	\$ 109,474,643
Cash, Designated for Construction	13,958	239,103
Cash, Designated by Board for Future Specified Use	47,600,000	-
Cash, Restricted Primarily for Construction and Debt Service	5,436,854	5,435,094
Cash, Restricted to Satisfy Cooperative Endeavor Agreements	24,000,000	5,000,000
<b>Total Cash</b>	<b>\$ 176,498,134</b>	<b>\$ 120,148,840</b>

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

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used in Operating Activities</b>		
Operating Loss	\$ (29,925,604)	\$ (32,574,320)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	16,288,186	16,356,523
Loss from Disposal of Capital Assets	272,328	408,747
(Increase) Decrease in:		
Accounts Receivable	127,184	(57,277)
Prepaid and Other Assets	(469,033)	4,586
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(303,846)	936,773
Unearned Revenue	1,109,651	1,175,278
<b>Net Cash Used in Operating Activities</b>	<b>\$ (12,901,134)</b>	<b>\$ (13,749,690)</b>

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

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### Organization and Reporting Entity

The Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) was created in 1978 by Act 305 (subsequently amended) of the Louisiana Legislature to plan, finance, construct, and manage a convention and exhibition center in the City of New Orleans (the City). The operations of the convention and exhibition center are through the New Orleans Public Facility Management, Inc. (NOPFM), a separately incorporated organization, doing business as the New Orleans Ernest N. Morial Convention Center. Under the present management agreement between the Authority and NOPFM, the Authority reimburses NOPFM for costs of operating the convention and exhibition center, and NOPFM will neither own assets nor retain revenues. The NOPFM is a blended component unit of the Authority.

The Authority is governed by a twelve member Board of Commissioners composed of nine (9) appointees of the Governor of Louisiana and three (3) appointees of the Mayor of New Orleans. The Board of Commissioners establishes policies, approves the budget, controls appropriations, and appoints an Executive Vice President responsible for administering all the Authority's operations and activities.

No other potential component units meet the criteria for inclusion in the financial statements of the Authority.

#### Basis of Presentation

The Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the Authority are included in the statements of net position.

The proprietary fund is used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which assets and liabilities associated with the operation of these funds are included in the statements of net position. The statements of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in net position.

The Authority maintains one proprietary fund type - the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation (Continued)**

Operating revenues include all charges for service and related fees associated with operating expenses. Interest income, interest expense, insurance proceeds, distributions to government agencies, and tax revenues are presented as non-operating items.

#### **Basis of Reporting**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital position, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources related to those assets.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Authority utilizes available restricted assets before utilizing unrestricted assets.

#### **Designated and Restricted Assets**

Certain assets, consisting of cash, investments, and receivables, are segregated and classified as designated or restricted assets.

Restricted assets are held as follows:

- Debt service reserve was established by the Authority's bond indentures. The required reserve is the lesser of (i) ten percent of the original principal issued, (ii) the maximum amount of principal installments and interest maturing and becoming due in the fiscal year in which such calculation is made or in any single succeeding fiscal year on all outstanding bonds, and (iii) 125% of average annual principal and interest requirement on the bonds, calculated on a fiscal year basis.
- Debt service, funded by the special revenue taxes, was established by the Authority's bond indentures. The required accumulated debt service is equal to the sum of (i) interest accruing during the period of bonds outstanding and (ii) portion of principal accruing until the next principal payment date.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Designated and Restricted Assets (Continued)

- Capital projects, funded by the proceeds of taxes, restricted for building expansion and improvements.
- Venture Lease Escrows, which include rental income received by the Authority on behalf of and remitted to the City of New Orleans for property owned by the City. In addition to the amounts collected on behalf of the City of New Orleans, the Authority also collects certain funds related to a third-party cell site. The amounts payable are included in other liabilities in the balance sheet.
- Cooperative Endeavor Agreement with the City of New Orleans for the development of Convention Center Boulevard and Spanish Plaza.
- Cooperative Endeavor Agreement with the City of New Orleans, the New Orleans Convention and Visitors Bureau, and the Louisiana Department of Public Safety: Public Safety Services, Office of Louisiana State Police (LSP) to further enhance public safety in the French Quarter in the City of New Orleans.

Designated assets are held to fund capital projects which are under contract and underway, in the planning stages, or in the acquisition stage.

#### Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include investments with an original maturity of three months or less at time of purchase. Under state law, the Authority 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 consist of time deposits, money market mutual funds, certificates of deposits, U.S. Treasury obligations, U.S. government agency securities, and repurchase agreements and are stated at fair value. Fair value is based on quoted market prices, as applicable; if quoted prices are not available, fair value is estimated based on similar securities.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Property, Building, and Equipment

Property, building, and equipment are carried at historical cost. Depreciation and amortization are charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. The estimated useful lives used in computing depreciation and amortization are as follows:

Buildings	40 Years
Building Improvements	20 Years
Equipment, Furniture, and Fixtures	5 - 12 Years

The Authority capitalizes moveable equipment with a value of \$5,000 or greater. The Authority capitalizes building improvements greater than \$50,000. The cost of additions includes contracted work, direct labor, materials, and allocable cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Interest is capitalized on fixed assets acquired and/or constructed with tax-exempt debt. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred, and significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

The Authority reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value.

#### Taxes

The Authority receives dedicated taxes as follows:

##### Hotel Occupancy Tax

The Authority's bonds are payable from revenues derived by the Authority from the Hotel Occupancy Tax authorized by Act No. 305 of the Regular Session of the Legislature of Louisiana for the year 1978, as amended, and earnings on certain funds and accounts of the Authority. The 1978 Hotel Occupancy Tax is levied and collected on the occupancy of hotel and motel rooms within the Parish of Orleans. Initially established as a 1% tax, the rate (with approval by the Legislature and public referendum) was increased to 2%, effective October 1, 1980. This tax is presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation.

Effective July 1, 2002, an additional 1% percent was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes were used to fund initial capital expenditures incurred and are currently used to retire all bonds.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Taxes (Continued)

##### Hotel Occupancy Tax (Continued)

This tax is legally pledged to secure the Authority's Series 2012 and 2014 bonds and will expire on the date such tax no longer secures outstanding indebtedness of the Authority.

##### Hotel Occupancy/Food and Beverage Tax

Pursuant to Act 390 of the regular session of the Legislature of Louisiana for 1987, the Authority is empowered to levy and collect a Hotel Occupancy Tax (the 1988 Hotel Occupancy Tax) and a Food and Beverage Tax (collectively referred to as the Tax), to secure bonds to be issued to finance a portion of the costs of the Convention Center expansion. The 1988 Hotel Occupancy Tax is separate and distinct from the 1978 Hotel Occupancy Tax levied by the Authority. The Tax has additionally been approved by the City Council and was imposed pursuant to a special election held on November 21, 1987.

On February 24, 1988, the Authority adopted a resolution authorizing the actual levy and collection of the Tax to be effective April 1, 1988. The Tax is presently being collected within the City and other locations on behalf of the Authority pursuant to a Contract of Agency for Collection of Taxes with the Louisiana Department of Revenue and Taxation (the Department). The Department is required to remit tax collections to the Authority, initially net of the \$200,000 annual collections fee retained by the Department at the rate of 3% of monthly collections until the total amount is attained. The collection fee is subject to annual renegotiation which is currently \$200,000.

The 1988 Hotel Occupancy Tax is levied in the amount of fifty cents (\$0.50) per occupied hotel room per night for hotels containing ten (10) to two hundred ninety-nine (299) guest rooms, one dollar (\$1.00) per occupied hotel room per night for hotels containing three hundred (300) to nine hundred ninety-nine (999) guest rooms and two dollars (\$2.00) per occupied hotel room for hotels containing one thousand (1,000) or more guest rooms.

The 1988 Hotel Occupancy Tax is legally pledged to secure the Authority's Series 2012 and 2014 bonds and will automatically terminate upon payment in full of all bonds or other obligations of the Authority payable in whole or in part from or secured by the 1988 Hotel Occupancy Tax.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Taxes (Continued)

##### Food and Beverage Tax

The Food and Beverage Tax is a tax in the amount of one half of one percent (0.5%) imposed on the gross receipts from the sale of food and beverages in any food service establishment. The tax is applicable to all such establishments located within the City or in any airport or air transportation facility owned and operated by the City, excluding food service establishments which have annual gross receipts from food and beverage sales of less than \$200,000 from the operation of all such establishments during the calendar year prior to the year in which such tax is assessed. The tax is not applicable to meals furnished to the staff and students of educational institutions; the staff and patients of hospitals; the staff, inmates, and patients of mental institutions; and the boarders of rooming houses.

Effective July 1, 2002, an additional one quarter of one percent (0.25%) on annual gross receipts from food and beverage sales greater than \$500,000 was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes were used to fund initial capital expenditures incurred and are currently used to retire all bonds.

The Food and Beverage Tax is legally pledged to secure the Authority's Series 2012 and 2014 bonds and will automatically terminate upon payment in full of all bonds or other obligations of the Authority payable in whole or in part from or secured by the Food and Beverage Tax.

##### Service Contractors and Tour Tax

Pursuant to Act 42 of the regular session of the Legislature of Louisiana for 1994 which amended Act 305 of 1978, the Authority is empowered to levy and impose a 2% tax on the furnishing of goods and services in conjunction with trade shows, conventions, and exhibitions located within the Parish of Orleans. The effective date of the service contractor tax was May 1, 1995. "Goods and services" means merchandise, wares, materials, labor, assistance, or benefit provided in connection with the installation and dismantling of exhibits, displays and booths, decorations, electrical supplies, materials handling, drayage, flowers and floral decorations, computers, audio and visual equipment, bands and orchestras, lighting trusses, rigging and associated equipment, furniture, carpets, signs, props, floats, business machines, plumbing, telephones, photography, utilities, balloons, scaffolding, forklifts, high lifts, security, information retrieval systems, and any other services or items associated with the above. Specifically excluded are foods and beverages and the shuttle services of attendees to and from the location of the convention and trade show.

In addition to the above, the Authority is also empowered to levy and impose a one dollar (\$1.00) tax on the sale of tickets sold in the Parish of Orleans for per capita sightseeing tours in the Parish of Orleans, and for tours a portion of which includes sightseeing in the Parish of Orleans. The effective date of this tax was May 1, 1995, and is presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Taxes (Continued)

##### Service Contractors and Tour Tax (Continued)

This tax is legally pledged to secure the Authority's Series 2012 and 2014 bonds and will automatically terminate upon payment in full of all bonds or other obligations of the Authority payable in whole or in part from or secured by the Service Contractor and Tour Tax.

##### RTA Tax

In April 2002, the Authority entered into a Cooperative Endeavor Agreement (CEA) with the Regional Transit Authority (RTA) and the New Orleans Tourism Marketing Corporation (NOTMC), creating a transit fund to be separately maintained and funded with taxes collected by the RTA based on a 1% sales tax to be collected from hotels and motels in the City of New Orleans and equal to 50% of the annual fee paid by RTA to NOTMC. In exchange for the funds received, the Authority agreed to utilize the funds for financing or funding of actual physical construction costs (labor and materials) of new capital facilities and/or capital improvements of the Convention Center in connection with the Phase IV Expansion Project, particularly including, but not limited to, facilities and/or improvements that address and recognize the need to access the RTA's Riverfront Streetcar and Shuttle bus services and the transportation needs of the Convention Center attendees and the public, consistent with the needs of the Authority and the legal requirements for the use and/or expenditure of the revenues derived from the RTA tax. In addition, moneys in the transit fund may be used to pay debt service on any bonds issued for construction financing of the Phase IV Expansion Project.

This tax is legally pledged to secure the Authority's Series 2012 and 2014 bonds and will expire on the date such tax no longer secures outstanding indebtedness of the Authority.

##### State of Louisiana, Department of State Economic Development

Pursuant to Act 73, based on the sufficiency of the hotel occupancy tax collections to pay the obligations of related bonds within any fiscal year of the State of Louisiana, the State of Louisiana Department of State Economic Development appropriates \$2 million of the remaining funds on an annual basis to the Authority.

These funds are legally pledged to secure the Authority's Series 2012 and 2014 bonds.

#### Capital Contributions

Contributions from state appropriations are made available to the Authority for capital improvements and are recognized when the expenses have been incurred and approval of the appropriation has been received. These appropriations are included in capital contributions in the statements of revenues, expenses, and changes in net position. There were no capital contributions for the years ended December 31, 2016 and 2015.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

The Authority's personal time off (PTO) plan provides for the following paid time off:

- 0 to less than 5 years of continuous service - 128 hours/16 days
- 5 years to less than 10 years of continuous service - 168 hours/21 days
- 10 years to less than 20 years of continuous service - 208 hours/26 days
- 20 or more years of continuous service - 248 hours/31 days

Employees may carry over up to a maximum of 200 hours of accrued, unused PTO from one calendar year to the next. Any unused PTO that exceeds 200 hours is forfeited.

#### Bond Issuance Costs and Refunding

Costs related to issuing bonds are expensed when incurred. Gains and losses associated with refunding and advance refunding are being deferred and amortized based upon the methods used to approximate the interest method over the life of the new bonds or the remaining term on any refunded bond, whichever is shorter.

#### Risk Management

The Authority provides for losses, up to the per employee maximum amount, resulting from health insurance claims. The Authority is commercially insured for amounts greater than the annual maximum as well as for other significant risks (e.g., general liability, workers' compensation, building, etc.).

#### Revenues and Unearned Revenue

Revenues from user fees, food and beverage, the UPS store, and rentals are recognized when earned (when the event/transaction occurs). Revenue collected for events in future years is reported as unearned revenue.

#### Use of Estimates

The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Adoption of Recently Issued Accounting Principles

For the year ended December 31, 2016, the Authority adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value. The adoption of this Statement had no impact on the Authority's financial statements other than the additional disclosure information contained in Note 5 to the financial statements.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net position and change in net position are unchanged due to these reclassifications.

### Note 2. Cash and Investments

The Authority's cash and investments consisted of the following as of December 31, 2016 and 2015:

	2016	2015
<b>Cash</b>		
Unrestricted	\$ 99,447,322	\$ 109,474,643
Designated for Construction	13,958	239,103
Designated by Board for Future Specified Use	47,600,000	-
Restricted Primarily for Debt Service and Construction	5,436,854	5,435,094
Restricted to Satisfy Cooperative Endeavor Agreement	24,000,000	5,000,000
<b>Total Cash</b>	<b>\$ 176,498,134</b>	<b>\$ 120,148,840</b>
<b>Investments</b>		
Unrestricted	\$ 49,927,957	\$ 56,554,531
Designated by Board for Future Specified Use	41,174,335	58,702,148
Restricted for Debt Service	18,874,150	18,532,776
<b>Total Investments</b>	<b>\$ 109,976,442</b>	<b>\$ 133,789,455</b>

Actual cash in banks as of December 31, 2016 and 2015, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$176,754,011 and \$120,299,843, respectively. Of the total bank balances at December 31, 2016 and 2015, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. Because the pledged securities are held by the pledging fiscal agent in the Authority's name, the Authority does not have any custodial credit risk. The pledged securities may be released only upon the written authorization of the Authority.

State of Louisiana Revised Statutes authorize the Authority to invest in direct United States Treasury obligations; short-term repurchase agreements; time certificates of deposit at financial institutions, state banks, and national banks; bonds, debentures, notes, or other indebtedness issued or guaranteed by U.S. government instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States.

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

**Notes to Financial Statements**

**Note 2. Cash and Investments (Continued)**

At December 31, 2016 and 2015, investment balances were as follows:

<b>Investment Type</b>	<b>2016</b>	<b>2015</b>
U.S. Agency	<b>\$ 60,694,462</b>	\$ 69,308,488
U.S. Treasury	<b>30,000,750</b>	45,948,191
Cash Equivalents	<b>11,889,930</b>	11,141,476
Repurchase Agreements	<b>7,391,300</b>	7,391,300
<b>Total</b>	<b><u>\$ 109,976,442</u></b>	<b><u>\$ 133,789,455</u></b>

**Credit Quality Risk** - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality risk disclosures apply to fixed income investments.

Credit ratings of the Authority's investments in debt securities as of December 31, 2016, are as follows:

<b>Investment Type</b>	<b>U.S. Agency</b>	<b>U.S. Treasury</b>	<b>Total</b>
<b>AAA</b>	<b>\$ 60,694,462</b>	<b>\$ 30,000,750</b>	<b>\$ 90,695,212</b>

Credit ratings of the Authority's investments in debt securities as of December 31, 2015 are as follows:

<b>Investment Type</b>	<b>U.S. Agency</b>	<b>U.S. Treasury</b>	<b>Total</b>
<b>AAA</b>	<b>\$ 69,308,488</b>	<b>\$ 45,948,191</b>	<b>\$ 115,256,679</b>

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of the failure, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the Authority's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Authority's name. The investments of the Authority owned at December 31, 2016 and 2015 were not subject to custodial credit risk.

**Concentration of Credit Risk** - The Authority's investment policy only allows investments in U.S. Treasury bills and notes, U.S. government agency securities, municipal bonds, certificates of deposits, and mutual and trust funds. As of December 31, 2016 and 2015, the Authority was in compliance with this policy. Investment in mutual or trust funds are limited to 25% of monies considered available for investment.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 2. Cash and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The Authority manages interest rate risk for investments under the control of the Authority by limiting the maximum maturity of investments to five years in accordance with their investment policy.

At December 31, 2016, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<b>Investment Type</b>	<b>Total</b>	<b>Less than One Year</b>	<b>1 - 5 Years</b>
<b>U.S. Agency</b>	<b>\$ 60,694,462</b>	<b>\$ 32,252,413</b>	<b>\$ 28,442,049</b>
<b>U.S. Treasury</b>	<b>30,000,750</b>	<b>20,002,400</b>	<b>9,998,350</b>
<b>Total</b>	<b><u>\$ 90,695,212</u></b>	<b><u>\$ 52,254,813</u></b>	<b><u>\$ 38,440,399</u></b>

At December 31, 2015, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<b>Investment Type</b>	<b>Total</b>	<b>Less than One Year</b>	<b>1 - 5 Years</b>
<b>U.S. Agency</b>	<b>\$ 69,308,488</b>	<b>\$ 14,002,345</b>	<b>\$ 55,306,143</b>
<b>U.S. Treasury</b>	<b>45,948,191</b>	<b>25,988,941</b>	<b>19,959,250</b>
<b>Total</b>	<b><u>\$ 115,256,679</u></b>	<b><u>\$ 39,991,286</u></b>	<b><u>\$ 75,265,393</u></b>

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

**Notes to Financial Statements**

**Note 2. Cash and Investments (Continued)**

**Repurchase Agreements**

As of December 31, 2016 and 2015, the Authority had \$7,391,300 of repurchase agreements with fixed rates of interest through the terms of the agreements. These investments are held under the terms of the bond indenture agreements as reserve funds. The repurchase agreements were supported by collateral requirements varying from 104% to 105% of the account balance. Collateral is held in the name of the trustees of the bond issue for the benefit of the Authority and consists of U.S. government and agency securities. Custodians are independent of the counterparties to the agreements. Under the terms of the repurchase agreements, the trustees may make deposits and withdrawals for these accounts in accordance with certain terms of the trust indenture agreements. The investments are subject to custodial credit risk upon default of the custodian. The Authority's repurchase agreements were as follows as of December 31:

**2016**

<b>Bond Issue</b>	<b>Interest Rate</b>	<b>Termination Date</b>	<b>Amount</b>
<b>2012 and 2014 Refunding</b>	<b>4.785%</b>	<b>July 2033</b>	<b>\$ 7,391,300</b>

**2015**

<b>Bond Issue</b>	<b>Interest Rate</b>	<b>Termination Date</b>	<b>Amount</b>
<b>2012 and 2014 Refunding</b>	<b>4.785%</b>	<b>July 2033</b>	<b>\$ 7,391,300</b>

Custodial credit risk is managed through the requirements of the counterparty to maintain pledged securities in the name of the Authority held in the counterparty's trust department or by the Federal Reserve Bank of the United States. The Authority's investment in repurchase agreements is a contract and is not rated.

**Note 3. Accounts Receivable**

Accounts receivable consisted of the following as of December 31:

	<b>2016</b>	<b>2015</b>
Customers	<b>\$ 2,112,002</b>	\$ 2,246,419
Other	<b>7,524</b>	290
	<b>2,119,526</b>	2,246,709
Less Allowance for Uncollectible Accounts	<b>(280,599)</b>	(280,599)
<b>Total</b>	<b>\$ 1,838,927</b>	<b>\$ 1,966,110</b>

Receivables from customers represent amounts due in connection with the use of facilities.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

### Note 4. Property, Building, and Equipment

Property, building, and equipment are summarized as follows at December 31, 2016:

	Balance January 1, 2016	Additions/ Increases	Transfers	Disposals/ Retirements	Balance December 31, 2016
<b>Capital Assets Not Depreciated</b>					
Land	\$ 76,575,515	\$ -	\$ -	\$ -	\$ 76,575,515
Art/Exhibits	210,000	-	-	-	210,000
Construction in Progress	16,059,380	3,313,865	(3,943,458)	-	15,429,787
<b>Total Capital Assets Not Depreciated</b>	<b>92,844,895</b>	<b>3,313,865</b>	<b>(3,943,458)</b>	<b>-</b>	<b>92,215,302</b>
<b>Capital Assets Being Depreciated</b>					
Building/Building Improvements	512,926,545	-	3,555,857	(1,107,080)	515,375,322
Equipment	14,124,681	266,177	353,429	(379,223)	14,365,064
Surface Parking	8,181,056	29,950	-	-	8,211,006
Software	2,486,031	-	34,172	-	2,520,203
<b>Total Capital Assets Being Depreciated</b>	<b>537,718,313</b>	<b>296,127</b>	<b>3,943,458</b>	<b>(1,486,303)</b>	<b>540,471,595</b>
<b>Less Accumulated Depreciation and Amortization</b>	<b>(266,284,523)</b>	<b>(16,288,186)</b>	<b>-</b>	<b>1,192,146</b>	<b>(281,380,563)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 364,278,685</b>	<b>\$ (12,678,194)</b>	<b>\$ -</b>	<b>\$ (294,157)</b>	<b>\$ 351,306,334</b>

Property, building, and equipment are summarized as follows at December 31, 2015:

	Balance January 1, 2015	Additions/ Increases	Transfers	Disposals/ Retirements	Balance December 31, 2015
<b>Capital Assets Not Depreciated</b>					
Land	\$ 76,575,515	\$ -	\$ -	\$ -	\$ 76,575,515
Art/Exhibits	210,000	-	-	-	210,000
Construction in Progress	12,328,913	5,098,265	(1,367,798)	-	16,059,380
<b>Total Capital Assets Not Depreciated</b>	<b>89,114,428</b>	<b>5,098,265</b>	<b>(1,367,798)</b>	<b>-</b>	<b>92,844,895</b>
<b>Capital Assets Being Depreciated</b>					
Building/Building Improvements	508,066,850	1,709,581	3,150,114	-	512,926,545
Equipment	22,060,868	795,260	(1,923,085)	(6,808,362)	14,124,681
Surface Parking	8,124,244	-	56,812	-	8,181,056
Software	2,378,771	23,303	83,957	-	2,486,031
<b>Total Capital Assets Being Depreciated</b>	<b>540,630,733</b>	<b>2,528,144</b>	<b>1,367,798</b>	<b>(6,808,362)</b>	<b>537,718,313</b>
<b>Less Accumulated Depreciation and Amortization</b>	<b>(256,327,615)</b>	<b>(16,356,523)</b>	<b>-</b>	<b>6,399,615</b>	<b>(266,284,523)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 373,417,546</b>	<b>\$ (8,730,114)</b>	<b>\$ -</b>	<b>\$ (408,747)</b>	<b>\$ 364,278,685</b>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 4. Property, Building, and Equipment (Continued)

The construction in progress as of December 31, 2016 and 2015 includes consulting surveys, architectural and engineering contracts, and related improvements associated with the Convention Center Development District along with routine capital improvements.

### Note 5. Fair Value

The Authority's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are no considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The valuation of the Authority's investments measured at fair value at December 31, 2016 is as follows:

	Level 1	Level 2	Level 3	Total
<b>Investments Reported at Fair Value</b>				
<b>Cash and Cash Equivalents</b>	\$ 11,889,930	\$ -	\$ -	\$ 11,889,930
<b>Fixed Income Securities</b>				
U.S. Treasury Obligations	30,000,750	-	-	30,000,750
U.S. Agency Obligations	-	60,694,462	-	60,694,462
<b>Total Investments Reported at Fair Value</b>	<u>\$ 41,890,680</u>	<u>\$ 60,694,462</u>	<u>\$ -</u>	<u>102,585,142</u>
<b>Investments Not Reported at Fair Value</b>				
<b>Repurchase Agreement</b>				<u>7,391,300</u>
<b>Total Investments</b>				<u>\$ 109,976,442</u>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

### Note 5. Fair Value (Continued)

The valuation of the Authority's investments measured at fair value at December 31, 2015 is as follows:

	Level 1	Level 2	Level 3	Total
<b>Investments Reported at Fair Value</b>				
Cash and Cash Equivalents	\$ 11,141,476	\$ -	\$ -	\$ 11,141,476
<b>Fixed Income Securities</b>				
U.S. Treasury Obligations	45,948,191	-	-	45,948,191
U.S. Agency Obligations	-	69,308,488	-	69,308,488
<b>Total Investments Reported at Fair Value</b>	<b>\$ 57,089,667</b>	<b>\$ 69,308,488</b>	<b>\$ -</b>	<b>126,398,155</b>
<b>Investments Not Reported at Fair Value</b>				
Repurchase Agreement				7,391,300
<b>Total Investments</b>				<b>\$ 133,789,455</b>

### Note 6. Long-Term Obligations

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2016 and 2015:

	January 1, 2016	Additions	Deletions	December 31, 2016	Due Within One Year	Over One Year
Bonds Payable	\$ 104,530,000	\$ -	\$ (7,855,000)	\$ 96,675,000	\$ 8,175,000	\$ 88,500,000
Adjustments: Premiums						11,215,850
						99,715,850
Compensated Absences	836,601	-	(32,947)	803,654	491,733	311,921
	<b>\$ 105,366,601</b>	<b>\$ -</b>	<b>\$ (7,887,947)</b>	<b>\$ 97,478,654</b>	<b>\$ 8,666,733</b>	<b>\$ 100,027,771</b>
	January 1, 2015	Additions	Deletions	December 31, 2015	Due Within One Year	Over One Year
Bonds Payable	\$ 110,730,000	\$ -	\$ (6,200,000)	\$ 104,530,000	\$ 7,855,000	\$ 96,675,000
Adjustments: Premiums						12,429,566
						109,104,566
Compensated Absences	851,022	-	(14,421)	836,601	464,551	372,050
	<b>\$ 111,581,022</b>	<b>\$ -</b>	<b>\$ (6,214,421)</b>	<b>\$ 105,366,601</b>	<b>\$ 8,319,551</b>	<b>\$ 109,476,616</b>

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

**Notes to Financial Statements**

**Note 6. Long-Term Obligations (Continued)**

**Bonds**

Long-term debt activity for the years ended December 31, 2016 and 2015, was as follows:

	Series 2012 Bonds	Series 2014 Bonds	Total
Balance January 1, 2016	\$ 41,590,000	\$ 62,940,000	\$ 104,530,000
Additions	-	-	-
Maturities/Refinancing	(3,355,000)	(4,500,000)	(7,855,000)
<b>Balance December 31, 2016</b>	<b>\$ 38,235,000</b>	<b>\$ 58,440,000</b>	<b>\$ 96,675,000</b>
<b>Due Within One Year</b>	<b>\$ 3,450,000</b>	<b>\$ 4,725,000</b>	<b>\$ 8,175,000</b>

	Series 2012 Bonds	Series 2014 Bonds	Total
Balance January 1, 2015	\$ 44,850,000	\$ 65,880,000	\$ 110,730,000
Additions	-	-	-
Maturities/Refinancing	(3,260,000)	(2,940,000)	(6,200,000)
<b>Balance December 31, 2015</b>	<b>\$ 41,590,000</b>	<b>\$ 62,940,000</b>	<b>\$ 104,530,000</b>
<b>Due Within One Year</b>	<b>\$ 3,355,000</b>	<b>\$ 4,500,000</b>	<b>\$ 7,855,000</b>

The Authority's bond issues outstanding as of December 31 were as follows:

	2016	2015
2012 Series, Refunding Bonds, interest rates between 3.0% and 5.0%, due in annual principal debt service requirements ranging from \$465,000 to \$10,270,000, final payment due July 2027.	<b>\$ 38,235,000</b>	\$ 41,590,000
2014 Series, Refunding Bonds, interest rates between 2.0% and 5.0%, due in annual principal debt service requirements ranging from \$1,975,000 to \$7,775,000, final payment due July 2025.	<b>58,440,000</b>	62,940,000
	<b>96,675,000</b>	104,530,000
<b>Plus Unamortized Net Premium</b>	<b>11,215,850</b>	12,429,566
<b>Less Current Maturities</b>	<b>(8,175,000)</b>	(7,855,000)
<b>Long-Term Debt Less Current Maturities</b>	<b>\$ 99,715,850</b>	<b>\$109,104,566</b>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

### Note 6. Long-Term Obligations (Continued)

#### Bonds (Continued)

The principal and interest on the Authority's bonds are payable from the proceeds of the levy and collection of legally pledged taxes as described in Note 1. The Series 2012 and 2014 Bonds are solely the obligation of the Authority and not of the State of Louisiana or any other agency or political subdivision thereof.

The Authority was in compliance with its bond covenants as of December 31, 2016 and 2015.

The annual requirements to amortize all bonds as of December 31, 2016, were as follows:

	2012 Bond Series		2014 Bond Series		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 3,450,000	\$ 1,766,300	\$ 4,725,000	\$ 2,699,500	\$ 8,175,000	\$ 4,465,800	\$ 12,640,800
2018	3,580,000	1,648,300	4,915,000	2,510,500	8,495,000	4,158,800	12,653,800
2019	2,340,000	1,525,100	7,460,000	2,264,750	9,800,000	3,789,850	13,589,850
2020	2,470,000	1,408,100	7,775,000	1,951,000	10,245,000	3,359,100	13,604,100
2021	1,595,000	1,284,600	5,640,000	1,562,250	7,235,000	2,846,850	10,081,850
2022-2026	14,530,000	5,361,450	27,925,000	3,275,450	42,455,000	8,636,900	51,091,900
2027	10,270,000	496,000	-	-	10,270,000	496,000	10,766,000
<b>Total</b>	<b>\$ 38,235,000</b>	<b>\$ 13,489,850</b>	<b>\$ 58,440,000</b>	<b>\$ 14,263,450</b>	<b>\$ 96,675,000</b>	<b>\$ 27,753,300</b>	<b>\$ 124,428,300</b>

### Note 7. Unearned Revenue

A summary of the unearned revenue, consisting primarily of rental payments, was as follows as of December 31:

	2016	2015
Customer Prepayments	\$ 5,249,463	\$ 4,139,812
Less Current Portion	<u>3,967,339</u>	<u>2,880,399</u>
<b>Long-Term Portion</b>	<b>\$ 1,282,124</b>	<b>\$ 1,259,413</b>

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 8. Taxes

The following summarizes tax receivables and revenue as of and for the years ended December 31:

	2016		2015	
	Receivables	Revenue	Receivables	Revenue
3% Hotel Occupancy Tax	\$ 4,827,305	\$ 33,930,207	\$ 4,797,165	\$ 33,803,579
State Economic Development	2,000,000	1,830,000	2,000,000	2,000,000
Hotel Occupancy/Food and Beverage Tax	3,110,056	19,636,492	3,076,198	19,466,864
Service Contractors and Tour Tax	576,821	2,904,644	287,797	2,350,451
RTA Tax	1,187,387	2,449,875	1,411,165	3,079,206
Collection Fee	-	(957,509)	-	(939,362)
<b>Total</b>	<b>\$ 11,701,569</b>	<b>\$ 59,793,709</b>	<b>\$ 11,572,325</b>	<b>\$ 59,760,738</b>

### Note 9. Food and Beverage Revenue

Under the contractual agreement with the vendor allowed to operate with the Convention Center, the Authority receives various food and beverage revenue. For the years ended December 31, 2016 and 2015, the Authority earned \$6,317,207 and \$6,146,661, respectively, in food and beverage revenue.

### Note 10. Cooperative Endeavor Agreements

In March 2015, the Authority entered into a cooperative endeavor agreement with the State of Louisiana, Office of Facility Planning and Control of the Division of Administration to undertake enhancement of the Convention Center and installation of basic infrastructure to facilitate establishment and development of the Convention Center District. The estimated cost of the project is approximately \$142,000,000. Under the terms of the agreement, the Authority agrees to provide a match of not less than 25% of the estimated cost of the project.

In June 2015, the Authority entered into a cooperative endeavor agreement with the New Orleans Convention and Visitors Bureau to provide additional security for the French Quarter. The Authority was responsible for a sum not to exceed \$1,250,000 of expenses incurred through December 31, 2015.

## ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

### Notes to Financial Statements

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#### Note 10. Cooperative Endeavor Agreements (Continued)

In September 2015, a cooperative endeavor agreement was made between the Authority, the City of New Orleans, the New Orleans Convention and Visitors Bureau, and the Louisiana Department of Public Safety: Public Safety Services, Office of Louisiana State Police (LSP) in order to further enhance public safety for the continued economic development of the historic French Quarter in the City of New Orleans. The agreement was contingent upon the successful levy of a 0.2495% sales tax by the French Quarter Economic Development District, which passed in October 2015. Under the terms of the agreement, the Authority will remit \$1,000,000 per year throughout the life of the agreement for the purpose of funding additional full time LSP officers. The term of the agreement began on January 1, 2016 and will continue through December 31, 2020.

In October 2016, a cooperative endeavor agreement was made between the Authority and the City of New Orleans in order to redevelop Convention Center Boulevard and Spanish Plaza. Under the terms of the agreement, the Authority will deposit \$12,500,000 into an escrow account to fund traffic relocation and offsite improvements to Convention Center Boulevard and \$7,500,000 into an escrow account for improvements at Spanish Plaza in conjunction with the City's master plan to turbocharge the riverfront for the tri-centennial of New Orleans. In addition, the Authority will remit up to \$2,900,000 to the City to satisfy a prior CEA with the City and contribute \$150,000 toward the City's master downtown traffic study. As of December 31, 2016, the Authority has recorded a payable to the City of New Orleans totaling \$2,073,781.

In December 2016, the Authority entered into a cooperative endeavor agreement with the New Orleans Culinary and Hospitality Institute (NOCHI) for the acquisition of immovable property to facilitate the education and training of employees for the local hospitality industry and to provide additional available space for the Authority. Under the terms of the agreement, upon execution of the sales agreement, NOCHI will lease the property from the Authority.

# ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

## Notes to Financial Statements

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### Note 11. Commitments and Contingencies

#### Self Insurance

For 2016, the Authority is self-insured for medical claims up to \$125,000 per participant. For 2015, the Authority was self-insured for medical claims up to \$80,000 per participant. In 2016 and 2015, the aggregate for claims liability was \$4,595,636 and \$4,049,492, respectively. The Authority has commercial insurance to cover any excess. The Authority has an external third-party administrator for health insurance claims. Changes in claims liability during the years ended December 31 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2015	\$ 219,369	\$ 3,116,060	\$ (3,116,060)	\$ 219,369
2016	\$ 219,369	\$ 2,929,342	\$ (2,929,342)	\$ 219,369

#### Contingencies

The Authority is obligated under various contracts and initiatives for projects ongoing to the improvements and maintenance of the Convention Center and its property.

The Authority's ability to receive the necessary taxes and other cash sources is dependent on other third parties.

### Note 12. Pension Plans

The Authority has a defined contribution 401(a) plan and a defined contribution 457(b) plan. The Authority makes contributions to the 401(a) plan and employees make contributions to the 457(b) plan. Full-time employees are eligible for the plans following 30 days of employment. Employee contributions to the 457(b) plan totaled \$875,507 and \$795,929, for the years ended December 31, 2016 and 2015, respectively. The Authority contributes 2% of covered employees' annual salaries to the 401(a) plan. In addition, the Authority contributes to the 401(a) plan a 50% match, up to 8%, of the employees' contributions to the 457(b) plan. The Authority's contributions to the 401(a) plan totaled \$826,311 and \$699,689, for the years ended December 31, 2016 and 2015, respectively.

### Note 13. Subsequent Event

On January 31, 2017, the Authority purchased, from NOCHI, the Louisiana ArtWorks building located at 725 Howard Avenue, New Orleans, for \$12,000,000. The purchase is part of an agreement with NOCHI to develop the City's hospitality industry. As part of the agreement, NOCHI entered into a 40 year lease of the building with the Authority. Renovations to the building are expected to be completed in 2018.

## **OTHER SUPPLEMENTARY INFORMATION**

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

**Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended December 31, 2016**

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**Agency Head Name: Robert L. Johnson**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 349,454
Benefits - Insurance	\$ 15,910
Benefits - Retirement	\$ 18,843
Benefits - (Vision, Dental, LTD, LTC, Life)	\$ 3,013
Car Allowance	\$ 10,000
Travel	\$ 625
Registration Fees	\$ 1,405
Conference Travel	\$ 3,789
Other (Meals, Entertainment, Parking)	\$ 2,559
Cell Phone	\$ 1,070

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Commissioners of  
Ernest N. Morial New Orleans Exhibition Hall Authority

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 Standards* issued by the Comptroller General of the United States, the basic financial statements of Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) which comprise the statement of net position as of and for the year ended December 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an 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 the Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
March 14, 2017

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

**Schedule of Findings and Responses  
For the Year Ended December 31, 2016**

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**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
• Material Weakness(es) Identified?	No
• Significant Deficiency(ies) Identified?	None Reported
Noncompliance Material to Financial Statements Noted?	No

**Part II - Financial Statement Findings**

None.