
ERNEST N. MORIAL NEW ORLEANS
EXHIBITION HALL AUTHORITY

Financial Statements

December 31, 2012 and 2011

With Independent Auditors' Report Thereon



Postlethwaite
& Netterville

A Professional Accounting Corporation

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ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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 December 31, 2012 and 2011 and for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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.

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, 2012 and 2011, and the respective changes in financial position and its 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 3 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 Government 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013 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 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.

Postlethwaite & McHerville

New Orleans, Louisiana
March 26, 2013

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
(A CORPORATE AND POLITICAL SUBDIVISION OF THE STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2012 and 2011

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, 2012 and 2011. 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

During 2012 and 2011, the Center held 128 and 113 events, respectively. The approximate number of attendees totaled 865,000 and 851,000 and the number of room nights approximated 744,000 and 645,000 from the out-of-state attendees numbering approximately 549,000 and 473,000 for the years ended December 31, 2012 and 2011.

The taxes recognized by the Authority generated in 2012 were \$46.3 million as compared to \$40.8 million of revenues in 2011. User fees totaled \$22.1 million in 2012 as compared to \$19.1 million in 2011.

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 report the Authority's net position as of the end of the year. Net position, the difference between the Authority's assets and liabilities, is one way to measure the Authority's financial health or position. The Authority's net position decreased by \$3.8 million in 2012, as compared to an increase of \$7.0 million in 2011.

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FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position - 2012

The Authority's total net position at December 31, 2012 was approximately \$432 million as compared to \$436 million at the end of 2011 (See Table A-1). Total 2012 assets were \$638 million as compared to total assets of \$636 million at the end of 2011. Total liabilities increased to \$206 million as compared to \$200 million in 2011. Capital assets increased in 2012 compared to 2011 as a result of the Great Hall construction in progress. Current assets increased from 2011 to 2012 due to cash provided by sales and maturities of noncurrent investments in addition to a capital contribution due from the State of Louisiana. Restricted assets from 2011 to 2012 decreased due to the retirement of bonds.

Net Position - 2011

The Authority's total net position at December 31, 2011 reached approximately \$436 million as compared to \$429 million at the end of 2010 (See Table A-2). Total 2011 assets were \$636 million, which is similar to total net position as the end of 2010. Total liabilities decreased to \$200 million as compared to \$207 million in 2010. Capital assets decreased in 2011 compared to 2010 as a result of depreciation. Current assets from 2010 to 2011 decreased due to cash used for operating activities and invested in capital assets. Restricted assets from 2010 to 2011 increased due to the excess of taxes received after debt payments.

Table A-1
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Net Position (in thousands of dollars)
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current assets	\$ 191,555	\$ 171,238
Restricted assets	50,325	94,405
Deferred charges	1,311	1,472
Capital assets	395,297	368,918
Total assets	<u>\$ 638,488</u>	<u>\$ 636,033</u>
 Current liabilities	 \$ 45,541	 \$ 21,962
Long-term liabilities	160,588	177,959
Total liabilities	<u>206,129</u>	<u>199,921</u>
Net position.		
Invested in capital assets, net of related debt	225,986	183,128
Restricted	35,265	40,855
Unrestricted	171,108	212,129
Total net position	<u>432,359</u>	<u>436,112</u>
Total liabilities and net position	<u>\$ 638,488</u>	<u>\$ 636,033</u>

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Table A-2
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Net Position (in thousands of dollars)
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Current assets	\$ 171,238	\$ 214,319
Restricted assets	94,405	46,486
Deferred charges	1,472	1,670
Capital assets	368,918	373,680
Total assets	<u>\$ 636,033</u>	<u>\$ 636,155</u>
Current liabilities	\$ 21,962	\$ 20,466
Long-term liabilities	177,959	186,609
Total liabilities	<u>199,921</u>	<u>207,075</u>
Net position.		
Invested in capital assets, net of related debt	183,128	180,723
Restricted	40,855	42,117
Unrestricted	212,129	206,240
Total net position	<u>436,112</u>	<u>429,080</u>
Total liabilities and net position	<u>\$ 636,033</u>	<u>\$ 636,155</u>

Changes in Net Position- 2012

The change in net position was a decrease of \$3.8 million for the year ended December 31, 2012 (Table A-3). The Authority's operating revenues were comprised primarily of user fees. Operating revenues were \$26.9 million in 2012 as compared to \$23.6 million in 2011. The Authority's 2012 operating revenues were comprised primarily of user fees of \$22.1 million and food and beverage revenue of \$4.2 million, as compared to user fees of \$19.1 million and food and beverage revenue of \$3.8 million in 2011. The reason for the increase in 2012 revenue is due to variance in the type and number of events held in 2012 compared to 2011. Operating expenses, including depreciation and loss on disposal of assets, in 2012 totaled \$59.3 million as compared to approximately \$49.9 million in 2011. The increase in operating expenses is mainly due to event related expenses, the non-capitalized building improvements that took place during the year, and the increased loss on the disposal of assets. Table A-4 summarizes the Authority's operating expenses by function. In both 2012 and 2011, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. Dedicated taxes totaled \$46.3 million in 2012 as compared to \$40.8 million in 2011. Investment income and interest expense totaled \$1.8 million and \$9.5 million and \$2.2 million and \$9.4 million, respectively, in 2012 and 2011. During 2012, no interest income or expense was capitalized. During 2012, the Authority recorded a capital contribution from the State of Louisiana of \$10.0 million. In addition, Act 597 of the 2012 Legislative Session of Louisiana directed the Authority to pay \$20 million to the State, as described in Note 10.

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Changes in Net Position- 2011

The change in net position was an increase of \$7 0 million for the year ended December 31, 2011 (Table A-5). The Authority's operating revenues were comprised primarily of user fees. Operating revenues were \$23.6 million in 2011 as compared to \$27.9 million in 2010. The Authority's 2011 operating revenues were comprised primarily of user fees of \$19.1 million and food and beverage revenue of \$3.8 million, as compared to user fees of \$22.0 million and food and beverage revenue of \$5.9 million in 2010. The reason for the decline in 2011 revenue is due to variance in the type of events held in 2011 compared to 2010 as well as the impact of a decline in short-term bookings in 2011 as compared to 2010. Operating expenses were similar in 2011 as compared to 2010. Operating expenses, including depreciation, in 2011 totaled \$49.9 million as compared to approximately \$49.7 million in 2010. Table A-6 summarizes the Authority's operating expenses by function. In both 2011 and 2010, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. Dedicated taxes totaled \$40.8 million in 2011 as compared to \$38.2 million in 2010. Investment income and interest expense totaled \$2.2 million and \$9.4 million and \$2.3 million and \$9.2 million, respectively, in 2011 and 2010. During 2011, no interest income or expense was capitalized.

Table A-3
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Revenue, Expenses and
Changes in Net Position
(in thousands of dollars)
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues.		
User fees and other revenues	\$ 22,723	\$ 19,763
Food and beverage	4,184	3,839
Total operating revenues	<u>26,907</u>	<u>23,602</u>
Operating Expenses.		
Operating expenses	44,551	35,422
Depreciation	14,745	14,486
Total operating expenses	<u>59,296</u>	<u>49,908</u>
Operating loss	(32,389)	(26,306)
Non-operating revenues-net	38,636	33,338
Capital contributions	10,000	-
Distribution to the State of Louisiana	(20,000)	-
Change in net position	<u>(3,753)</u>	<u>7,032</u>
Net position, beginning of the year	<u>436,112</u>	<u>429,080</u>
Net position, end of the year	<u>\$ 432,359</u>	<u>\$ 436,112</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2012 and 2011

Table A-4
Ernest N. Morial New Orleans Exhibition Hall Authority
Operating Expenses (in thousands of dollars)
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
General and administrative	\$ 9,228	\$ 7,620
Sales and marketing	2,713	2,107
Event services	739	802
Food Services	553	290
Building operations	16,143	14,898
Public safety	3,354	3,315
Production services	1,539	1,422
Technology services	2,200	2,347
Depreciation	14,745	14,485
Loss on disposal of assets	4,363	570
The UPS Store	336	336
Buildings improvements, not capitalized	3,383	1,716
Total operating expenses	<u>\$ 59,296</u>	<u>\$ 49,908</u>

Table A-5
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Revenue, Expenses and
Changes in Net Position
(in thousands of dollars)
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
User fees and other revenues	\$ 19,763	\$ 22,033
Food and beverage	3,839	5,895
Total operating revenues	<u>23,602</u>	<u>27,928</u>
Operating Expenses		
Operating expenses	35,422	35,201
Depreciation	14,486	14,457
Total operating expenses	<u>49,908</u>	<u>49,658</u>
Operating loss	(26,306)	(21,730)
Non-operating revenues-net	33,338	31,229
Change in net position	7,032	9,499
Net position, beginning of the year	429,080	419,581
Net position, end of the year	<u>\$ 436,112</u>	<u>\$ 429,080</u>

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Table A-6
Ernest N. Morial New Orleans Exhibition Hall Authority
Operating Expenses (in thousands of dollars)
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
General and administrative	\$ 7,620	\$ 8,467
Sales and marketing	2,107	2,185
Event services	802	943
Food Services	290	-
Building operations	14,898	15,498
Public safety	3,315	3,118
Production services	1,422	1,435
Technology services	2,347	2,057
Loss on disposal of assets	570	-
The UPS Store	336	125
Depreciation	14,485	14,457
Buildings improvements, not capitalized	1,716	1,373
Total operating expenses	<u>\$ 49,908</u>	<u>\$ 49,658</u>

Cash Flows - 2012

The change in cash and cash equivalents, as reflected in Table A-7, from 2012 to 2011 was a result of an increase in cash provided by investing activities. The increase in noncapital financing activities in 2012, as compared to 2011, was a result of an increase of cash received from tax revenues. The change in capital and financing activities is due to the increased amount of bond repayments due to the 2012 bond refunding and an increase in the purchase and/or construction of capital assets. Investment activities provided cash in 2012 reflecting current year sales and maturities of investments, and included an increase in investment income received.

Cash Flows - 2011

The change in cash and cash equivalents, as reflected in Table A-8, from 2011 to 2010 was a result of an increase in cash used for operating activities. The increase in noncapital financing activities in 2011, as compared to 2010, was a result of an increase of cash received from tax revenues. The change in capital and financing activities is due to a reduction in interest expense and an increase in the purchase and/or construction of capital assets. Investment activities had a use of cash in 2011 reflecting current year purchases of investments, and included a reduction of investment income received.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
(A CORPORATE AND POLITICAL SUBDIVISION OF THE STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2012 and 2011

Table A-7
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Cash Flows
(in thousands of dollars)
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from:		
Operations	\$ (11,217)	\$ (13,871)
Noncapital financing	45,775	40,725
Capital and related financing activities	(70,111)	(24,378)
Investing activities	79,453	(42,445)
Net increase (decrease) in cash and cash equivalents	<u>\$ 43,900</u>	<u>\$ (39,969)</u>

Table A-8
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Cash Flows
(in thousands of dollars)
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from:		
Operations	\$ (13,871)	\$ (5,678)
Noncapital financing	40,725	37,608
Capital and related financing activities	(24,378)	(24,485)
Investing activities	(42,445)	(9,219)
Net decrease in cash and cash equivalents	<u>\$ (39,969)</u>	<u>\$ (1,774)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets- 2012

As of December 31, 2012, the Authority had invested approximately \$619 million in property, buildings and equipment. During 2012, the Authority increased property, buildings and equipment by approximately \$34 million. Depreciation in 2012 totaled \$15 million, adjusting accumulated depreciation to \$224 million as of December 31, 2012.

The construction in progress as of December 31, 2012 includes improvements in the Great Hall, improvements to existing structure and building improvements related to the Phase IV expansion.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2012 and 2011

Capital Assets- 2011

As of December 31, 2011, the Authority had invested approximately \$585 million in property, buildings and equipment. During 2011, the Authority increased property, buildings and equipment by approximately \$9.5 million. Depreciation in 2011 totaled \$14 million, adjusting accumulated depreciation to \$216 million as of December 31, 2011.

The construction in progress as of December 31, 2011 includes improvements in the Great Hall, improvements to existing structure and building improvements related to the Phase IV expansion.

Debt Administration- 2012 and 2011

The Authority continued to make its regularly scheduled payments on its bonds. During 2012, \$73,300,000 in principal payments were made, including the refunding of the 1996C Series, 1998 Series, and 2000 Series bonds. All debt covenants have been met. Payments on the GoZone note were payable beginning in January 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary purpose of a convention center is to attract attendees to conventions and tradeshows so that they will spend dollars in local facilities such as hotels, restaurants, tourist attractions, retail stores, etc. This spending results in increased tax collections for the state and local governments. 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. In 2012, the Center hosted 128 major conventions and trade shows, attracted approximately 549,000 out of state attendees and produced 744,000 room nights. The economic impact has not yet been completed for 2012. In 2011, the Center hosted 113 major conventions and trade shows, attracted approximately 473,000 out-of-state attendees and produced approximately 645,000 room nights. The economic impact has not yet been completed for 2011. The Authority is scheduled to have approximately 100 events in 2013.

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, 2012 AND 2011

<u>ASSETS</u>	2012	2011
Current assets		
Cash	\$ 124,038,208	\$ 43,471,411
Investments	55,743,671	125,361,771
Accounts receivable, net	932,744	1,336,644
Interest receivable	103,659	202,379
Prepaid expenses and other assets	736,733	865,416
Due from the State of Louisiana	10,000,000	-
Total current assets	<u>191,555,015</u>	<u>171,237,621</u>
Restricted assets		
Cash, designated for construction	12,069,938	48,771,063
Cash, restricted primarily for construction	5,401,441	5,367,029
Investments, restricted primarily for debt service	23,281,407	30,924,509
Interest receivable	211,005	540,452
Taxes receivable	9,361,494	8,802,065
Total restricted assets	<u>50,325,285</u>	<u>94,405,118</u>
Deferred charges - bond issue costs	1,310,460	1,472,253
Property, buildings and equipment, net	395,296,825	368,917,819
Total assets	<u>\$ 638,487,585</u>	<u>\$ 636,032,811</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities (payable from current assets):		
Accounts payable	\$ 4,482,180	\$ 3,148,970
Contracts and retention payable	4,772,129	2,300,412
Deferred revenue	2,940,918	2,128,279
Compensated absences, current portion	405,778	398,489
Due to the State of Louisiana	20,000,000	-
Total unrestricted current liabilities	<u>32,601,005</u>	<u>7,976,150</u>
Current liabilities (payable from restricted assets)		
Other liabilities	166,220	154,905
Accrued bond interest	2,824,539	4,623,772
Current portion of bonds and note payable	9,949,162	9,206,676
Total restricted current liabilities	<u>12,939,921</u>	<u>13,985,353</u>
Total current liabilities	<u>45,540,926</u>	<u>21,961,503</u>
Long-term liabilities.		
Compensated absences, less current portion	453,370	430,237
Bonds and note payable, less current portion, net	159,361,958	176,582,988
Deferred revenue, less current portion	772,800	945,934
Total long-term liabilities	<u>160,588,128</u>	<u>177,959,159</u>
Total liabilities	<u>206,129,054</u>	<u>199,920,662</u>
Net position:		
Invested in capital assets, net of related debt	225,985,705	183,128,155
Restricted primarily for debt service and construction	35,264,588	40,855,378
Unrestricted	171,108,238	212,128,616
Total net position	<u>432,358,531</u>	<u>436,112,149</u>
Total liabilities and net position	<u>\$ 638,487,585</u>	<u>\$ 636,032,811</u>

See accompanying notes to 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues.		
User fees	\$ 22,122,873	\$ 19,147,435
Food and beverage	4,184,400	3,839,319
The UPS Store	382,281	352,853
Rentals	199,601	190,518
Miscellaneous	17,672	71,699
	<u>26,906,827</u>	<u>23,601,824</u>
Operating expenses:		
General and administrative	9,228,095	7,619,645
Sales and marketing	2,713,127	2,106,887
Event services	739,017	802,482
Food services	552,843	290,174
Building operations	16,143,009	14,897,899
Building improvements, not capitalized	3,383,362	1,715,703
Public safety	3,354,008	3,315,141
Production services	1,538,971	1,422,421
Technology services	2,200,262	2,347,112
Depreciation	14,745,013	14,485,556
Loss on disposal of assets	4,362,476	569,877
The UPS Store	336,163	335,509
	<u>59,296,346</u>	<u>49,908,406</u>
Total operating expenses		
	<u>(32,389,519)</u>	<u>(26,306,582)</u>
Non-operating revenues (expenses)		
Tax revenues (note 7)	46,334,579	40,843,585
Investment income	1,763,633	2,180,855
Interest expense	(9,462,311)	(9,366,585)
Grant adjustment	-	(319,419)
Income from non-operating revenues (expenses)	<u>38,635,901</u>	<u>33,338,436</u>
Capital contributions from the State of Louisiana	<u>10,000,000</u>	<u>-</u>
Distribution to the State of Louisiana	<u>(20,000,000)</u>	<u>-</u>
Change in net position	(3,753,618)	7,031,854
Net position		
Balance, beginning of year	436,112,149	429,080,295
Balance, end of year	<u>\$ 432,358,531</u>	<u>\$ 436,112,149</u>

See accompanying notes to these financial statements.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from user fees	\$ 23,342,692	\$ 19,392,829
Cash received from other sources	4,607,080	4,454,387
Cash paid to employees and for related expenses	(18,948,651)	(18,224,409)
Cash paid to suppliers	(20,218,330)	(19,493,451)
Net cash used in operating activities	<u>(11,217,209)</u>	<u>(13,870,644)</u>
Cash flows from noncapital financing activities:		
Cash received from taxes	<u>45,775,149</u>	<u>40,724,710</u>
Net cash provided by noncapital financing activities	<u>45,775,149</u>	<u>40,724,710</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(42,532,564)	(8,434,556)
Interest paid	(10,907,616)	(8,463,825)
Repayment of bonds and note payable	(74,646,676)	(7,480,000)
Proceeds from 2012 bond issuance	58,294,912	-
Cash paid for bond issuance costs	(318,914)	-
Net cash used in capital and related financing activities	<u>(70,110,858)</u>	<u>(24,378,381)</u>
Cash flows from investing activities		
Purchases of investment securities	(93,249,864)	(111,927,999)
Investment sales and maturities	169,895,637	67,370,680
Interest payments received	<u>2,807,229</u>	<u>2,112,479</u>
Net cash provided by (used in) investing activities	<u>79,453,002</u>	<u>(42,444,840)</u>
Net increase (decrease) in cash and cash equivalents	43,900,084	(39,969,155)
Cash and cash equivalents at beginning of year	<u>97,609,503</u>	<u>137,578,658</u>
Cash and cash equivalents at end of year	<u>\$ 141,509,587</u>	<u>\$ 97,609,503</u>
Reconciliation of loss from operations to net cash used in operating activities.		
Loss from operations	\$ (32,389,519)	\$ (26,306,582)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	14,745,013	14,485,556
Retirement of fixed assets	4,362,476	569,877
(Increase) decrease:		
Accounts receivable	403,900	326,063
Prepaid and other assets	128,683	(371,820)
Increase (decrease) in:		
Accounts payable and accrued expenses	892,733	(2,493,069)
Deferred revenue	<u>639,505</u>	<u>(80,669)</u>
Net cash used in operating activities	<u>\$ (11,217,209)</u>	<u>\$ (13,870,644)</u>

See accompanying notes to these financial statements.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and Reporting Entity

The Ernest N Morial New Orleans Exhibition Hall Authority (the Authority) is an independent political subdivision of the State of Louisiana 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 operations of the convention and exhibition centers 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.

The Authority is a stand-alone entity. The Authority is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Authority.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund is used to account for the Authority's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted primarily for debt service and construction, and unrestricted. The Board's restricted assets are expendable for their purposes. The Authority utilizes available restricted assets before utilizing unrestricted assets. The operating statements 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
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

(c) Designated and Restricted Assets

Certain assets, consisting of cash, investments and receivables, are segregated and classified as 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 of principal and interest maturing and due in next fiscal year, or (iii) 125% of average annual principal and interest requirement, after any reductions.
- 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.
- Capital projects, funded by the proceeds of taxes, restricted for the building expansion and improvements.
- Rouse Lease Clearing and 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.

Designated assets are held as follows:

- Capital projects, funded by the operating assets for which contracts have been awarded and underway.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *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.

(e) *Property, Buildings and Equipment*

Property, buildings 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 and most electronic equipment of \$500 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.

(f) *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 (the Act) and earnings on certain funds and accounts of the Authority. The 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 dedicated to the Authority's bonds and those taxes are presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation (the Department).

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hotel Occupancy Tax (continued)

Effective July 1, 2002, an additional 1% 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.

Hotel Occupancy/Food and Beverage Tax

The following summarizes the 1988 hotel occupancy and food and beverage taxes:

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 and pledged to secure the Series 1983 Bonds (refinanced by the 1996 Series and the 2012 Series). 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, which secures the 1996 Bond Series (refinanced by the 2012 Series), 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) 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 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
DECEMBER 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. The Food and Beverage Tax 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.

Effective July 1, 2002, an additional $\frac{1}{4}$ of 1% 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.

Service Contractor 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 Orleans Parish. 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 orchestra, 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 system 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 sight-seeing in the Parish of Orleans. The effective date of the tour tax was May 1, 1995. This tax expires when all debt obligations expire. This tax is dedicated to the Authority's Bond Series, and those taxes are 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
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 services on any bonds issued for construction financing of the Phase IV Expansion Project.

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 remits \$2 million of the remaining funds on an annual basis to the Authority.

(g) *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 statement of revenue, expenses and changes in net position.

(h) *Compensated Absences*

The Authority is obligated to reimburse NOPFM for vacation when earned by its employees, either in accordance with general personnel policy or under certain union agreements. The total liability for accrued vacation at December 31, 2012 and 2011 was \$859,148 and \$828,726, respectively, of which \$453,370 and \$430,237 is the long-term portion.

Vacation of full time employees in regular status is earned as follows:

- 6 months – 5 days
- 6 months to 5 1/2 years of continuous service – 10 days
- 5 1/2 to 10 1/2 years of continuous service – 15 days

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Compensated Absences (continued)

- over 10 1/2 years of continuous service – 20 days

The maximum annual leave cannot exceed more than the amount earned in a two year period during regular status of employment.

As of January 1, 2013, the Authority revised its personnel handbook to include a new leave policy, which incorporates the vacation, sick and personal leave policies and replaces it with a new personal time off plan (PTO). Earnings and maximum accruals will continue to be based on the full time employee's status.

(i) Cash Flows

For the purposes of the statements of cash flows, cash and cash equivalents include investments with an maturity of three months or less at time of purchase

(j) Bond Issuance Costs and Refundings

Costs related to issuing bonds are capitalized and amortized over the life of the bonds. Gains and losses associated with refundings and advance refundings 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.

(k) Risk Management

The Authority provides for losses resulting from health insurance claims. The Authority is commercially insured for other significant risks (e.g., general liability, workers' compensation, building, etc.).

(l) Revenues and Deferred 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 deferred.

(m) Use of Estimates

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Reclassifications*

Certain accounts in the 2011 financial statements have been reclassified to conform to the current year presentation.

2. CASH AND INVESTMENTS

The Authority's cash and investments consisted of the following as of December 31, 2012 and 2011, respectively

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents		
Unrestricted	\$ 124,038,208	\$ 43,471,411
Designated for construction	12,069,938	48,771,063
Restricted primarily for debt service and construction	5,401,441	5,367,029
Total cash and cash equivalents	<u>\$ 141,509,587</u>	<u>\$ 97,609,503</u>
Investments		
Unrestricted	\$ 55,743,671	\$ 125,361,771
Restricted primarily for debt service	23,281,407	30,924,509
Total investments	<u>\$ 79,025,078</u>	<u>\$ 156,286,280</u>

Actual cash in banks as of December 31, 2012 and 2011, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$142,211,651 and \$99,623,858, respectively. Of the total bank balances at December 31, 2012 and 2011, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. As of December 31, 2012 and 2011, the Authority had repurchase agreements totaling \$9,393,500 and \$19,296,066, respectively. 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
DECEMBER 31, 2012 and 2011**

2. CASH AND INVESTMENTS (continued)

At December 31, 2012 and 2011 investment balances were as follows

<u>Investment Type</u>	<u>2012</u>	<u>2011</u>
U.S. Agency	\$ 33,003,714	\$ 63,336,411
U.S. Treasury	14,318,662	27,312,968
Certificates of Deposit	5,764,190	6,231,621
Cash equivalents	16,545,012	40,109,214
Other	9,393,500	19,296,066
	<u>\$ 79,025,078</u>	<u>\$ 156,286,280</u>

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 long-term debt securities as of December 31, 2012 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Aaa	\$ 32,447,403	\$ 14,318,662	\$ -	\$ 46,766,065
A2	299,593	-	-	299,593
Baa2	256,718	-	-	256,718
Not rated	-	-	5,764,190	5,764,190
	<u>\$ 33,003,714</u>	<u>\$ 14,318,662</u>	<u>\$ 5,764,190</u>	<u>\$ 53,086,566</u>

Credit ratings of the Authority's investments in long-term debt securities as of December 31, 2011 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Aaa	\$ 63,336,411	\$ 27,312,968	\$ -	\$ 90,649,379
Not rated	-	-	6,231,621	6,231,621
	<u>\$ 63,336,411</u>	<u>\$ 27,312,968</u>	<u>\$ 6,231,621</u>	<u>\$ 96,881,000</u>

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

2. CASH AND INVESTMENTS (continued)

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, 2012 were not subject to custodial credit risk.

Concentration of Credit Risk – The Authority's investment policy only allows investments in U.S. Treasury Bill and Notes, U.S. Government Agency Securities, municipal bonds, Certificates of Deposits, and mutual and trust funds. As of December 31, 2012, the Authority was in compliance with this policy. Investment of mutual or trust funds are limited to 25% of monies considered available for investment.

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, 2012, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Less than one year</u>	<u>1-5 years</u>
U.S. Agency	\$ 33,003,714	\$ 14,464,013	\$ 18,539,701
U.S. Treasury	14,318,662	10,985,730	3,332,932
Certificate of Deposit	5,764,190	3,504,570	2,259,620
	<u>\$ 53,086,566</u>	<u>\$ 28,954,313</u>	<u>\$ 24,132,253</u>

At December 31, 2011, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Less than one year</u>	<u>1-5 years</u>
U.S. Agency	\$ 63,336,411	\$ 33,394,487	\$ 29,941,924
U.S. Treasury	27,312,968	27,312,968	-
Certificate of Deposit	6,231,621	2,248,588	3,983,033
	<u>\$ 96,881,000</u>	<u>\$ 62,956,043</u>	<u>\$ 33,924,957</u>

**ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

2. CASH AND INVESTMENTS (continued)

Repurchase Agreements

The Authority has approximately \$9 and \$19 million of repurchase agreements with fixed rates of interest through the terms of the agreements as of December 31, 2012 and 2011, respectively. These investments are held under the terms of the bond indenture agreements as reserve funds. The repurchase agreements are 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 risk upon default of the custodian.

The Authority's investments in repurchase agreements were as follows as of December 31, 2012:

<u>Bond Issue</u>	<u>Interest Rate</u>	<u>Termination Date</u>	<u>Amount</u>
2004 Refunding	4.785%	July 2025	\$ <u>9,393,500</u>

The Authority's investments in repurchase agreements were as follows as of December 31, 2011:

<u>Bond Issue</u>	<u>Interest Rate</u>	<u>Termination Date</u>	<u>Amount</u>
2004 Refunding	4.785%	July 2025	\$ 9,393,500
1996 A and C	5.86%	July 2025	7,901,740
1998	5.44%	July 2027	2,000,826
Total investments			\$ <u>19,296,066</u>

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.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31:

	2012	2011
Customers	\$ 1,367,539	\$ 1,421,428
Other	10,852	195,585
	1,378,391	1,617,013
Less allowance for uncollectible amounts	(445,647)	(280,369)
	<u>\$ 932,744</u>	<u>\$ 1,336,644</u>

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

4. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of changes in fixed assets follows:

	January 1, 2012	Additions	Deletions	December 31, 2012
Land, non depreciable	\$ 76,575,515	-	-	\$ 76,575,515
Building/building improvements	462,570,048	4,158,656	(10,085,661)	456,643,044
Equipment	20,676,619	1,887,805	(1,531,854)	21,032,570
Surface parking	6,915,473	1,160,764	-	8,076,237
Software	1,808,299	177,165	-	1,985,464
Art/exhibits, non depreciable	210,000	-	-	210,000
Construction in progress	16,181,262	43,449,970	(5,347,865)	54,283,367
	584,937,216	50,834,360	(16,965,380)	618,806,197
Accumulated depreciation and amortization	216,019,397	14,745,013	(7,255,039)	223,509,372
	<u>\$ 368,917,819</u>			<u>\$ 395,296,825</u>

	January 1, 2011	Additions	Deletions	December 31, 2011
Land, non depreciable	\$ 76,575,515	-	-	\$ 76,575,515
Building/building improvements	455,440,316	7,677,886	(548,154)	462,570,048
Equipment	18,668,653	2,277,322	(269,356)	20,676,619
Surface parking	6,915,473	-	-	6,915,473
Software	1,635,369	172,930	-	1,808,299
Art/exhibits, non depreciable	210,000	-	-	210,000
Construction in progress	16,016,213	7,842,935	(7,677,886)	16,181,262
	575,461,539	17,971,073	(8,495,396)	584,937,216
Accumulated depreciation and amortization	201,781,472	14,485,556	(247,631)	216,019,397
	<u>\$ 373,680,067</u>			<u>\$ 368,917,819</u>

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

4. PROPERTY, BUILDINGS AND EQUIPMENT (continued)

The construction in progress as of December 31, 2012 includes improvements in the Great Hall in the amount of \$44,665,544, improvements to existing structure, and building improvements related to the Phase IV expansion. The Great Hall was completed in January 2013.

5. LONG-TERM OBLIGATIONS

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2012 and 2011.

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2012</u>	<u>Due Within One Year</u>	<u>Over One Year</u>
Bonds payable	\$ 160,035,000	52,070,000	(73,300,000)	\$ 138,805,000	\$ 8,540,000	\$ 130,265,000
Go Zone payable	28,284,268	-	(1,346,677)	26,937,591	1,409,162	25,528,429
Compensated absences	828,726	30,422	-	859,148	405,778	453,370
	<u>\$ 189,147,994</u>	<u>52,100,422</u>	<u>(74,646,677)</u>	<u>\$ 166,601,739</u>	<u>\$ 10,354,940</u>	<u>\$ 156,246,799</u>

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>	<u>Over One Year</u>
Bonds payable	\$ 167,515,000	-	(7,480,000)	\$ 160,035,000	\$ 7,860,000	\$ 152,175,000
Go Zone payable	28,284,268	-	-	28,284,268	1,346,676	26,937,592
Compensated absences	784,291	44,435	-	828,726	398,489	430,237
	<u>\$ 196,583,559</u>	<u>44,435</u>	<u>(7,480,000)</u>	<u>\$ 189,147,994</u>	<u>\$ 9,605,165</u>	<u>\$ 179,542,829</u>

Bonds Payable

Long-term debt activity for the years ended December 31, 2012 and 2011 is as follows:

<u>Series</u>	<u>January 1, 2012</u>	<u>Additions</u>	<u>Maturities / Refinancing</u>	<u>December 31, 2012</u>
1996C	\$ 24,725,000	-	(24,725,000)	\$ -
1998	22,500,000	-	(22,500,000)	-
2000	21,735,000	-	(21,735,000)	-
2004	91,075,000	-	(4,340,000)	86,735,000
2012	-	52,070,000	-	52,070,000
	<u>\$ 160,035,000</u>	<u>52,070,000</u>	<u>(73,300,000)</u>	<u>\$ 138,805,000</u>

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

5. LONG-TERM OBLIGATIONS (continued)

Series	January 1, 2011	Additions	Maturities	December 31, 2011
1996A \$	4,915,000	-	(4,915,000)	-
1996C	24,900,000	-	(175,000)	24,725,000
1998	22,500,000	-	-	22,500,000
2000	23,575,000	-	(1,840,000)	21,735,000
2004	91,625,000	-	(550,000)	91,075,000
\$	<u>167,515,000</u>	<u>-</u>	<u>(7,480,000)</u>	<u>160,035,000</u>

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

	2012	2011
1996C Series, Special Tax Bonds, interest rates between 5 3% and 5 4%; partially refunded by 2004 Series; remaining balance refunded by the 2012 Series	\$ -	24,725,000
1998 Series, Special Tax Bonds, interest rate of 5.0%, interest payable semi-annually; refunded by the 2012 Series	-	22,500,000
2000 Series, Special Tax Bonds, interest rates between 5 0% and 5.25%; refunded by the 2012 Series	-	21,735,000
2004 Series, Refunding Bonds, interest rates between 3 5% and 5.0%, due in annual principal debt service requirements ranging from \$4,340,000 to \$9,165,000, final payment due July 2025	86,735,000	91,075,000
2012 Series, Refunding Bonds, interest rates between 2.0% and 5.0%, due in annual principal debt service requirements ranging from \$465,000 to \$10,270,000, final payment due July 2027	<u>52,070,000</u>	<u>-</u>
	138,805,000	160,035,000
Plus unamortized net discount, premium and deferred loss on bond refunding	3,568,529	(2,529,604)
Less current maturities	(8,540,000)	(7,860,000)
Long-term debt less current maturities	<u>\$ 133,833,529</u>	<u>149,645,396</u>

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

5. LONG-TERM OBLIGATIONS (continued)

The above amounts reconcile to the statements of net position as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Total amount due	\$ 138,805,000	\$ 160,035,000
Less current maturities	<u>(8,540,000)</u>	<u>(7,860,000)</u>
Long term portion	130,265,000	152,175,000
Discounts/premiums/deferred loss	<u>3,568,529</u>	<u>(2,529,604)</u>
Total long-term debt	<u>\$ 133,833,529</u>	<u>\$ 149,645,396</u>

The principal and interest on the Authority's bonds are payable from the proceeds of the levy and collection of dedicated taxes as described in Note 1. The Series 1996, 1998, 2000, 2004 and 2012 Bonds are solely the obligation of the Authority and not of the State of Louisiana or any other agency or political subdivision thereof. During 2004, the Authority partially refunded the 1996C Series. In April 2004, the Authority issued \$93,935,000 in tax revenue bonds with a final maturity of July 15, 2025. The bond proceeds less issuance costs were used to defease \$93,935,000 of the 1996C Series bonds. In September 2007, the Authority defeased the 2003 Bonds. The outstanding balance on all defeased bonds as of December 31, 2012 is \$266,250,000.

During 2012, the Authority refunded the 1996C, 1998, and 2000 Bonds. The Authority issued \$52,070,000 in special tax refunding bonds with a final maturity of July 15, 2025. The bond proceeds, less issuance costs, and investments were used to refund \$23,140,000 of the 1996C Bonds, \$22,500,000 of the 1998 Bonds, and \$19,800,000 of the 2000 Bonds. By refunding these bonds, the Authority estimated \$28,880,798 in future savings related to future interest and principal payments. The Authority estimated an economic gain of approximately \$23,454,348.

**ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

5. LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize all bonds and note as of December 31, 2012, were as follows:

Principal	Bond Series		Go Zone	Total Bonds and Note Payable
	2004	2012		
2013	\$ 4,490,000	\$ 4,050,000	\$ 1,409,162	\$ 9,949,162
2014	4,715,000	3,170,000	1,474,547	9,359,547
2015	4,950,000	3,260,000	1,542,966	9,752,966
2016	5,195,000	3,355,000	1,614,560	10,164,560
2017	5,455,000	3,450,000	1,689,475	10,594,475
2018-2022	36,380,000	11,665,000	9,698,577	57,743,577
2023-2026	25,550,000	23,120,000	9,508,304	58,178,304
Total	86,735,000	52,070,000	26,937,591	165,742,591

Interest	Bond Series		Go Zone	Total Interest Payable
	2004	2012		
2013	4,324,250	81,000	1,249,904	5,655,154
2014	4,099,750	85,100	1,184,519	5,369,369
2015	3,864,000	87,800	1,116,100	5,067,900
2016	3,616,500	90,650	1,044,506	4,751,656
2017	3,356,750	118,000	969,591	4,444,341
2018-2022	11,822,750	527,450	3,596,753	15,946,953
2023-2026	2,610,000	1,120,850	1,127,961	4,858,811
Total	33,694,000	2,110,850	10,289,334	46,094,184

Total	Bond Series		Go Zone	Total Payable
	2004	2012		
2013	8,814,250	4,131,000	2,659,066	15,604,316
2014	8,814,750	3,255,100	2,659,067	14,728,916
2015	8,814,000	3,347,800	2,659,066	14,820,866
2016	8,811,500	3,445,650	2,659,066	14,916,216
2017	8,811,750	3,568,000	2,659,066	15,038,816
2018-2022	48,202,750	12,192,450	13,295,330	73,690,530
2023-2026	28,160,000	24,240,850	10,636,265	63,037,115
Total	\$ 120,429,000	\$ 54,180,850	\$ 37,226,926	\$ 211,836,775

The Authority is in compliance with its bond covenants as of December 31, 2012 and 2011

Defeasance and Go Zone Obligations

In September 2007, the Authority and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend \$28,284,268, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. Draw downs on the loan were made as debt service payments become due. No principal or interest was payable during the initial five year period of the note. After the expiration of the initial five year period, the note bears an interest at a fixed rate of 4.64%. Interest is payable semi annually beginning January 15, 2012. Principal payments on the note began in July 2012. The note is expected to be paid in full by July 2026. The loan may be prepaid without penalty or premium. The Go Zone proceeds were used to pay certain interest and principal payments related to Bond Series 2003 and Bond Series 1998 debt.

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

5. LONG-TERM OBLIGATIONS (continued)

Compensated Absences

The Authority's obligation to its employees for accrued vacation time totaled \$859,148 and \$828,726 as of December 31, 2012 and 2011, respectively. The estimated long-term portion as of December 31, 2012 and 2011 is based on historical data and totaled \$453,370 and \$430,237, respectively. The short-term portion as of 2012 and 2011 was \$405,778 and \$398,489, respectively

6. DEFERRED REVENUE

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

	<u>2012</u>	<u>2011</u>
Customer prepayments	\$ 3,713,718	\$ 3,074,213
Less current portion	<u>2,940,918</u>	<u>2,128,279</u>
Long term portion	\$ <u>772,800</u>	\$ <u>945,934</u>

7. TAXES

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

	<u>2012</u>		<u>2011</u>	
	<u>Receivables</u>	<u>Revenue</u>	<u>Receivables</u>	<u>Revenue</u>
3% Hotel Occupancy Tax	\$ 3,759,077	\$ 26,216,190	\$ 3,682,860	\$ 22,878,450
State Economic Development	2,000,000	2,000,000	2,000,000	2,000,000
Hotel Occupancy Food				
Beverage Tax	2,458,279	15,149,366	2,260,362	13,518,081
Service Contractors				
and Tour Tax	255,990	1,755,526	183,941	1,487,880
RTA Tax	888,148	1,983,597	674,902	1,655,955
Collection Fee	-	(770,100)	-	(696,781)
	\$ <u>9,361,494</u>	\$ <u>46,334,579</u>	\$ <u>8,802,065</u>	\$ <u>40,843,585</u>

8. FOOD AND BEVERAGE REVENUE

Under the contractual agreements with vendors allowed to operate with the Convention Center, the Authority receives various food and beverage revenue. For the years ended December 31, 2012 and 2011, the Authority earned \$4,184,400 and \$3,839,319, respectively, in food and beverage revenue

ERNEST N. MORIAL
NEW ORLEANS EXHIBITION HALL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

9. DUE FROM THE STATE OF LOUISIANA

The State of Louisiana appropriated \$10 million to the Authority for capital projects under Act 23 of the Regular Session of the Legislature of Louisiana for the year 2012. At December 31, 2012, \$10 million was due from the State. The receivable is included on the Statements of Net Position as Due from the State of Louisiana, and the revenue is included on the Statements of Changes in Net Position as Capital Contributions.

10. DUE TO THE STATE OF LOUISIANA

Act 597 of the Regular Session of the Legislature of Louisiana for the year 2012 authorized and directed the Authority to fund the Louisiana Medical Assistance Trust Fund in the amount of \$20 million from unrestricted net position. The total amount was due to the State at December 31, 2012. The liability is included on the Statements of Net Position as Due to the State of Louisiana and the expense is included on the Statements of Changes in Net Position as Distribution to the State of Louisiana. The balance was paid to the State in March 2013.

11. COMMITMENTS AND CONTINGENCIES

(a) *Self-insurance*

For 2012 and 2011, the Authority is self-insured for medical claims up to \$80,000 per participant. In 2012 and 2011, the aggregate for claims liability was \$2,295,633 and \$2,190,187, 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
2011	\$	291,978	1,497,412	(1,532,159)	257,231
2012	\$	257,231	1,771,254	(1,809,116)	219,369

(b) *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.

ERNEST N. MORIAL
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12. SUBSEQUENT EVENTS

In January 2013, construction related to the expansion of the Great Hall was completed. The result of the construction was a 60,000-square-foot ballroom in the Great Hall, which included transforming the Julia Street entrance into a plaza and adding a new 4,660-square-foot junior ballroom with a rooftop terrace, and a 5,700-square-foot lounge.

In February 2013, the Authority signed a Cooperative Endeavor Agreement with the State of Louisiana to receive \$20 million for capital improvements. The \$20 million balance includes the \$10 million appropriation authorized in Act 23 of the 2012 Legislative Session, as described in Note 9, and an additional \$10 million to be granted pending appropriation in the State's 2013-2014 budget.

In March 2013, the Authority entered into an agreement with the City of New Orleans to provide funding for various projects. The estimated amount of funding to be paid to the City during 2013 is \$6.5 million

**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**

Board of Commissioners
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 financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 26, 2013.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 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

Postlethwaite & Netrule

New Orleans, Louisiana

March 26, 2013

