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

Financial Statements and Schedules

December 31, 2010 and 2009

With Independent Auditors' Report Thereon

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

Release Date 5/23/11



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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:

We have audited the accompanying financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of December 31, 2010 and 2009 and for the years then ended, 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 9 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

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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.

*Postlethwaite & Nixville*

New Orleans, Louisiana  
March 25, 2011



**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, 2010 and 2009**

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, 2010 and 2009. 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 2010 and 2009, the Center held 105 and 106 events, respectively. The number of attendees totaled 463,671 and 437,956 and the number of room nights approximated 809,900 and 718,000 for the years ended December 31, 2010 and 2009, respectively.

The taxes recognized by the Authority generated in 2010 were \$38.2 million as compared to \$33.0 million of revenues in 2009. User fees totaled \$20.8 million in 2010 as compared to \$19.8 million in 2009.

**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 Assets. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets.

The Statements of Net Assets report the Authority's net assets as of the end of the year. Net assets, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial health or position. The Authority's net assets increased by \$9.5 million in 2010, as compared to a decrease of \$2.2 million in 2009.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

### **Net Assets - 2010**

The Authority's total net assets at December 31, 2010 reached approximately \$429 million as compared to \$420 million at the end of 2009 (See Table A-1). Total 2010 assets increased to \$636 million, and total liabilities decreased to \$207 million as compared to \$632 and \$212 million, respectively, in 2009.

### **Net Assets - 2009**

The Authority's total net assets at December 31, 2009 reached approximately \$420 million as compared to \$422 million at the end of 2008 (See Table A-2). Total 2009 assets decreased to \$632 million, and total liabilities decreased to \$212 million as compared to \$642 and \$220 million, respectively, in 2008.

**Table A-1**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Net Assets (in thousands of dollars)**  
**December 31, 2010 and 2009**

|                                                 | <u>2010</u>              | <u>2009</u>              |
|-------------------------------------------------|--------------------------|--------------------------|
| Current assets                                  | \$ 152,213               | \$ 110,868               |
| Restricted assets                               | 108,592                  | 139,301                  |
| Deferred charges                                | 1,670                    | 1,956                    |
| Capital assets                                  | 373,680                  | 379,636                  |
| <b>Total assets</b>                             | <u><b>\$ 636,155</b></u> | <u><b>\$ 631,761</b></u> |
| <br>Current liabilities                         | <br>\$ 20,466            | <br>\$ 18,400            |
| Long-term liabilities                           | 186,609                  | 193,780                  |
| <b>Total liabilities</b>                        | <u><b>207,075</b></u>    | <u><b>212,180</b></u>    |
| <b>Net assets:</b>                              |                          |                          |
| Invested in capital assets, net of related debt | 196,835                  | 195,956                  |
| Restricted                                      | 88,112                   | 120,595                  |
| Unrestricted                                    | 144,133                  | 103,030                  |
| <b>Total net assets</b>                         | <u><b>429,080</b></u>    | <u><b>419,581</b></u>    |
| <b>Total liabilities and net assets</b>         | <u><b>\$ 636,155</b></u> | <u><b>\$ 631,761</b></u> |

**Table A-2**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Net Assets (in thousands of dollars)**  
**December 31, 2009 and 2008**

|                                                 | 2009              | 2008              |
|-------------------------------------------------|-------------------|-------------------|
| Current assets                                  | \$ 110,868        | \$ 127,480        |
| Restricted assets                               | 139,301           | 122,851           |
| Deferred charges                                | 1,956             | 2,242             |
| Capital assets                                  | 379,636           | 389,097           |
| <b>Total assets</b>                             | <b>\$ 631,761</b> | <b>\$ 641,670</b> |
| Current liabilities                             | \$ 18,400         | \$ 19,376         |
| Long-term liabilities                           | 193,780           | 200,528           |
| <b>Total liabilities</b>                        | <b>212,180</b>    | <b>219,904</b>    |
| Net assets:                                     |                   |                   |
| Invested in capital assets, net of related debt | 195,956           | 198,906           |
| Restricted                                      | 120,595           | 102,303           |
| Unrestricted                                    | 103,030           | 120,557           |
| <b>Total net assets</b>                         | <b>419,581</b>    | <b>421,766</b>    |
| <b>Total liabilities and net assets</b>         | <b>\$ 631,761</b> | <b>\$ 641,670</b> |

#### **Changes in Net Assets- 2010**

The change in net assets was an increase of \$9.5 million for the year ended December 31, 2010 (Table A-3). The Authority's operating revenues were comprised primarily of user charges. Operating revenues were \$27.9 million in 2010 as compared to \$24.8 million in 2009. The Authority's 2010 operating revenues were comprised primarily of user charges of \$20.8 million and \$5.6 million of commissions. Operating expenses in 2010 totaled \$49.7 million including depreciation as compared to approximately \$52.8 million in 2009. Table A-4 summarizes the Authority's operating expenses by function. In both 2010 and 2009, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. The dedicated taxes totaled \$38.2 million in 2010 as compared to \$33.0 million in 2009. Investment income and interest expense totaled \$2.3 million and \$9.2 million and \$2.5 million and \$10.0 million, respectively, in 2010 and 2009. During 2010, no interest income or expense was capitalized.

#### **Changes in Net Assets- 2009**

The change in net assets was a decrease of \$2.2 million for the year ended December 31, 2009 (Table A-5). The Authority's operating revenues were comprised primarily of user charges. Operating revenues were \$24.8 million in 2009 as compared to \$22.4 million in 2008. The Authority's 2009 operating revenues were comprised primarily of user charges of \$19.8 million and \$3.7 million of commissions. Operating expenses in 2009 totaled \$52.8 million including depreciation as compared to approximately \$47.0 million in 2008. Table A-6 summarizes the Authority's operating expenses by function. In both 2009 and 2008, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. The dedicated taxes totaled \$33.0 million in 2009 as compared to \$34.1 million in 2008. Investment income and interest expense totaled \$2.5 million and \$10.0 million and \$6.9 million and \$11.6 million, respectively, in 2009 and 2008. During 2009, 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 Assets**  
**(in thousands of dollars)**  
**Years ended December 31, 2010 and 2009**

|                                          | <u>2010</u>       | <u>2009</u>       |
|------------------------------------------|-------------------|-------------------|
| Operating Revenues:                      |                   |                   |
| User fees and other revenues             | \$ 22,330         | \$ 21,107         |
| Commissions                              | 5,598             | 3,711             |
| <b>Total operating revenues</b>          | <u>27,928</u>     | <u>24,818</u>     |
| Operating Expenses:                      |                   |                   |
| Operating expenses                       | 35,201            | 37,587            |
| Depreciation                             | 14,457            | 15,258            |
| <b>Total operating expenses</b>          | <u>49,658</u>     | <u>52,845</u>     |
| Operating loss                           | (21,730)          | (28,027)          |
| Non-operating revenues-net               | 31,229            | 25,842            |
| <b>Change in net assets</b>              | <u>9,499</u>      | <u>(2,185)</u>    |
| <b>Net assets, beginning of the year</b> | <u>419,581</u>    | <u>421,766</u>    |
| <b>Net assets, end of the year</b>       | <u>\$ 429,080</u> | <u>\$ 419,581</u> |

**Table A-4**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Operating Expenses (in thousands of dollars)**  
**Years ended December 31, 2010 and 2009**

|                                         | <u>2010</u>      | <u>2009</u>      |
|-----------------------------------------|------------------|------------------|
| General and administrative              | \$ 8,467         | \$ 9,381         |
| Sales and marketing                     | 2,310            | 1,739            |
| Event services                          | 1,432            | 1,197            |
| Building operations                     | 15,498           | 13,701           |
| Public safety                           | 2,629            | 2,581            |
| Production services                     | 1,435            | 1,650            |
| Technology services                     | 2,057            | 2,132            |
| Depreciation                            | 14,457           | 15,258           |
| Buildings improvements, not capitalized | 1,373            | 5,206            |
| <b>Total operating expenses</b>         | <u>\$ 49,658</u> | <u>\$ 52,845</u> |

**Table A-5**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Revenue, Expenses and**  
**Changes in Net Assets**  
**(in thousands of dollars)**  
**Years ended December 31, 2009 and 2008**

|                                          | 2009              | 2008              |
|------------------------------------------|-------------------|-------------------|
| Operating Revenues:                      |                   |                   |
| User fees and other revenues             | \$ 21,107         | \$ 19,061         |
| Commissions                              | 3,711             | 3,328             |
| <b>Total operating revenues</b>          | <b>24,818</b>     | <b>22,389</b>     |
| Operating Expenses:                      |                   |                   |
| Operating expenses                       | 37,587            | 33,889            |
| Depreciation                             | 15,258            | 13,134            |
| <b>Total operating expenses</b>          | <b>52,845</b>     | <b>47,023</b>     |
| Operating loss                           | (28,027)          | (24,634)          |
| Non-operating revenues-net               | 25,842            | 29,757            |
| <b>Change in net assets</b>              | <b>(2,185)</b>    | <b>5,123</b>      |
| <b>Net assets, beginning of the year</b> | <b>421,766</b>    | <b>416,643</b>    |
| <b>Net assets, end of the year</b>       | <b>\$ 419,581</b> | <b>\$ 421,766</b> |

**Table A-6**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Operating Expenses (in thousands of dollars)**  
**Years ended December 31, 2009 and 2008**

|                                        | 2009             | 2008             |
|----------------------------------------|------------------|------------------|
| General and administrative             | \$ 9,381         | \$ 9,799         |
| Sales and marketing                    | 1,739            | 1,731            |
| Event services                         | 1,197            | 656              |
| Building operations                    | 13,701           | 16,014           |
| Public safety                          | 2,581            | 2,286            |
| Production services                    | 1,650            | 1,477            |
| Technology services                    | 2,132            | 1,926            |
| Depreciation                           | 15,258           | 13,134           |
| Building improvements, not capitalized | 5,206            | -                |
| <b>Total operating expenses</b>        | <b>\$ 52,845</b> | <b>\$ 47,023</b> |

#### **Cash Flows - 2010**

The change in cash and cash equivalents, as reflected in Table A-7, from 2010 to 2009 was a result of a decrease in cash used for operating activities. The increase in noncapital financing activities in 2010, as compared to 2009, 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 2010 reflecting current year purchases of investments, and included a reduction of investment income received.

### Cash Flows - 2009

The change in cash and cash equivalents, as reflected in Table A-8, from 2009 to 2008 was a result of an increase in cash used for operating activities as well as a decrease in insurance proceeds; in 2008, the Authority received \$6.2 million in property insurance proceeds, which did reoccur in 2009. The decrease in noncapital financing activities in 2009, as compared to 2008, was a result of a decrease of cash received from tax revenues and grant funding. 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, as well as the receipt of Go-Zone funding in 2008 but not in 2009. Investment activities had a use of cash in 2009 reflecting current year purchases of investments, and included a reduction of investment income received.

**Table A-7**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Cash Flows**  
**(in thousands of dollars)**  
**Years ended December 31, 2010 and 2009**

|                                                      | <u>2010</u>      | <u>2009</u>        |
|------------------------------------------------------|------------------|--------------------|
| Cash flows from:                                     |                  |                    |
| Operations                                           | \$ (5,701)       | \$ (14,196)        |
| Noncapital financing                                 | 37,608           | 32,359             |
| Capital and related financing activities             | (24,462)         | (21,811)           |
| Investing activities                                 | 7,915            | (12,026)           |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 15,360</u> | <u>\$ (15,675)</u> |

**Table A-8**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Cash Flows**  
**(in thousands of dollars)**  
**Years ended December 31, 2009 and 2008**

|                                           | <u>2009</u>        | <u>2008</u>       |
|-------------------------------------------|--------------------|-------------------|
| Cash flows from:                          |                    |                   |
| Operations                                | \$ (14,196)        | \$ (2,943)        |
| Noncapital financing                      | 32,359             | 35,409            |
| Capital and related financing activities  | (21,811)           | (19,504)          |
| Investing activities                      | (12,026)           | (14,135)          |
| Net decrease in cash and cash equivalents | <u>\$ (15,675)</u> | <u>\$ (1,173)</u> |

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets- 2010**

As of December 31, 2010, the Authority had invested approximately \$575 million in property, buildings and equipment. During 2010, the Authority increased property, buildings and equipment by approximately \$8.4 million. Depreciation in 2010 totaled \$14 million, adjusting accumulated depreciation to \$202 million as of December 31, 2010.

The construction in progress as of December 31, 2010 relates to building improvements of the existing structure and remaining Phase IV expansion costs.

### **Capital Assets- 2009**

As of December 31, 2009, the Authority had invested approximately \$567 million in property, buildings and equipment. During 2009, the Authority increased property, buildings and equipment by approximately \$4 million. Depreciation in 2009 totaled \$15 million, adjusting accumulated depreciation to \$187 million as of December 31, 2009.

The construction in progress as of December 31, 2009 relates to building improvements of the existing structure and remaining Phase IV expansion costs.

### **Debt Administration- 2010**

The Authority continues to make its regularly scheduled payments on its bonds.

### **Debt Administration- 2009**

The Authority continues to make its regularly scheduled payments on its bonds.

## **ECONOMIC FACTORS**

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 2010, the Center hosted 105 major conventions and trade shows, attracted 463,671 attendees and produced 809,900 room nights. The total economic impact in 2009 was \$1.69 billion. This spending produced \$138.98 million in tax revenue for the State of Louisiana and local governments. In 2009, the Center supported 24,003 local jobs creating \$500.16 million in income for local area residents. In 2009, the Center hosted 106 major conventions and trade shows, attracted 437,956 attendees and produced 718,000 room nights. For 2010, the economic impact has not been computed to date.

## **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 ASSETS**  
**DECEMBER 31, 2010 AND 2009**

| <u>ASSETS</u>                                         | <u>2010</u>           | <u>2009</u>           |
|-------------------------------------------------------|-----------------------|-----------------------|
| Current assets:                                       |                       |                       |
| Cash                                                  | \$ 106,204,623        | \$ 61,992,252         |
| Investments                                           | 43,761,327            | 46,888,840            |
| Accounts receivable, net                              | 1,645,873             | 1,189,308             |
| FEMA receivable                                       | -                     | 70,507                |
| Interest receivable                                   | 107,007               | 101,299               |
| Prepaid expenses and other assets                     | 493,596               | 625,392               |
| Total current assets                                  | <u>152,212,426</u>    | <u>110,867,598</u>    |
| Restricted assets:                                    |                       |                       |
| Cash                                                  | 48,508,542            | 77,360,717            |
| Investments                                           | 50,833,127            | 53,343,034            |
| Interest receivable                                   | 567,448               | 585,273               |
| Taxes receivable                                      | 8,683,189             | 8,012,219             |
| Total restricted assets                               | <u>108,592,306</u>    | <u>139,301,243</u>    |
| Deferred charges - bond issue costs                   | 1,670,120             | 1,956,169             |
| Property, buildings and equipment, net                | <u>373,680,067</u>    | <u>379,636,138</u>    |
| Total assets                                          | <u>\$ 636,154,919</u> | <u>\$ 631,761,148</u> |
| <br><u>LIABILITIES AND NET ASSETS</u>                 |                       |                       |
| Current liabilities (payable from current assets):    |                       |                       |
| Accounts payable                                      | 5,384,856             | 3,939,849             |
| Contracts and retention payable                       | 441,779               | 148,414               |
| Deferred revenue                                      | 2,405,151             | 2,200,050             |
| Compensated absences, current portion                 | 385,392               | 361,032               |
| Total unrestricted current liabilities                | <u>8,617,178</u>      | <u>6,649,345</u>      |
| Current liabilities (payable from restricted assets): |                       |                       |
| Contracts and retention payable                       | -                     | 80,900                |
| Other liabilities                                     | 137,106               | 134,384               |
| Current portion of accrued bond interest              | 4,231,911             | 4,405,686             |
| Current portion of bonds payable                      | <u>7,480,000</u>      | <u>7,130,000</u>      |
| Total restricted current liabilities                  | <u>11,849,017</u>     | <u>11,750,970</u>     |
| Total current liabilities                             | <u>20,466,195</u>     | <u>18,400,315</u>     |
| Long-term liabilities:                                |                       |                       |
| Compensated absences, less current portion            | 398,899               | 334,368               |
| Bonds payable, less current portion, net              | 185,476,632           | 192,636,027           |
| Deferred revenue, less current portion                | <u>732,898</u>        | <u>809,396</u>        |
| Total long-term liabilities                           | <u>186,608,429</u>    | <u>193,779,791</u>    |
| Total liabilities                                     | <u>207,074,624</u>    | <u>212,180,106</u>    |
| Net assets:                                           |                       |                       |
| Invested in capital assets, net of related debt       | 196,834,804           | 195,955,695           |
| Restricted                                            | 88,111,920            | 120,594,689           |
| Unrestricted                                          | <u>144,133,571</u>    | <u>103,030,658</u>    |
| Total net assets                                      | <u>429,080,295</u>    | <u>419,581,042</u>    |
| Total liabilities and net assets                      | <u>\$ 636,154,919</u> | <u>\$ 631,761,148</u> |

See accompanying notes to these financial statements.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|                                               | <u>2010</u>           | <u>2009</u>           |
|-----------------------------------------------|-----------------------|-----------------------|
| Operating revenues:                           |                       |                       |
| User fees                                     | \$ 20,767,941         | \$ 19,838,299         |
| Commissions                                   | 5,598,196             | 3,711,056             |
| Equipment use fee                             | 300,000               | 300,000               |
| Rentals                                       | 173,094               | 186,083               |
| Miscellaneous                                 | 1,088,598             | 782,159               |
| Total operating revenues                      | <u>27,927,829</u>     | <u>24,817,597</u>     |
| Operating expenses:                           |                       |                       |
| General and administrative                    | 8,466,596             | 9,380,858             |
| Sales and marketing                           | 2,310,150             | 1,739,194             |
| Event services                                | 1,431,770             | 1,196,869             |
| Building operations                           | 15,498,084            | 13,701,194            |
| Building improvements, not capitalized        | 1,372,921             | 5,206,111             |
| Public safety                                 | 2,628,955             | 2,581,213             |
| Production services                           | 1,434,632             | 1,649,618             |
| Technology services                           | 2,057,352             | 2,131,478             |
| Depreciation                                  | 14,457,499            | 15,257,944            |
| Total operating expenses                      | <u>49,657,959</u>     | <u>52,844,479</u>     |
| Loss from operations                          | <u>(21,730,130)</u>   | <u>(28,026,882)</u>   |
| Non-operating revenues (expenses):            |                       |                       |
| Tax revenues (note 7)                         | 38,208,085            | 32,976,517            |
| Investment income                             | 2,265,542             | 2,508,703             |
| Interest expense                              | (9,244,244)           | (9,954,572)           |
| Government operating grants                   | -                     | 311,171               |
| Income from non-operating revenues (expenses) | <u>31,229,383</u>     | <u>25,841,819</u>     |
| Increase (decrease) in net assets             | 9,499,253             | (2,185,063)           |
| Net assets:                                   |                       |                       |
| Balance, beginning of year                    | 419,581,042           | 421,766,105           |
| Balance, end of year                          | <u>\$ 429,080,295</u> | <u>\$ 419,581,042</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, 2010 AND 2009

|                                                                                         | <u>2010</u>           | <u>2009</u>            |
|-----------------------------------------------------------------------------------------|-----------------------|------------------------|
| Cash flows from operating activities:                                                   |                       |                        |
| Cash received from user fees                                                            | \$ 20,439,979         | \$ 18,562,946          |
| Cash received from other sources                                                        | 7,159,887             | 4,979,298              |
| Cash paid to employees and for related expenses                                         | (16,823,083)          | (17,509,959)           |
| Cash paid to suppliers                                                                  | (16,477,740)          | (20,228,681)           |
| Net cash used in operating activities                                                   | <u>(5,700,957)</u>    | <u>(14,196,396)</u>    |
| Cash flows from noncapital financing activities:                                        |                       |                        |
| Cash received from taxes                                                                | 37,537,116            | 31,874,938             |
| Cash received from grant revenues                                                       | 70,507                | 483,944                |
| Net cash provided by noncapital financing activities                                    | <u>37,607,623</u>     | <u>32,358,882</u>      |
| Cash flows from capital and related financing activities:                               |                       |                        |
| Acquisition and construction of capital assets                                          | (8,520,185)           | (5,876,186)            |
| Interest paid                                                                           | (8,811,365)           | (9,135,115)            |
| Repayment of bonds                                                                      | (7,130,000)           | (6,800,000)            |
| Net cash used in capital and related financing activities                               | <u>(24,461,550)</u>   | <u>(21,811,302)</u>    |
| Cash flows from investing activities:                                                   |                       |                        |
| Purchases of investment securities                                                      | (40,802,737)          | (119,762,059)          |
| Investment sales and maturities                                                         | 46,440,157            | 104,749,703            |
| Interest payments received                                                              | 2,277,660             | 2,986,690              |
| Net cash provided by (used in) investing activities                                     | <u>7,915,080</u>      | <u>(12,025,666)</u>    |
| Net increase (decrease) in cash and cash equivalents                                    | 15,360,196            | (15,674,482)           |
| Cash and cash equivalents at beginning of year                                          | <u>139,352,969</u>    | <u>155,027,451</u>     |
| Cash and cash equivalents at end of year                                                | <u>\$ 154,713,165</u> | <u>\$ 139,352,969</u>  |
| Reconciliation of loss from operations to net cash used in operating activities:        |                       |                        |
| Loss from operations                                                                    | \$ (21,730,130)       | \$ (28,026,882)        |
| Adjustments to reconcile loss from operations to net cash used in operating activities: |                       |                        |
| Depreciation                                                                            | 14,457,499            | 15,257,944             |
| (Increase) decrease in:                                                                 |                       |                        |
| Accounts receivable                                                                     | (456,565)             | (7,476)                |
| Prepaid and other assets                                                                | 131,796               | (41,449)               |
| Loss on abandonment/ sale of fixed asset                                                | (62,144)              | -                      |
| Increase (decrease) in:                                                                 |                       |                        |
| Accounts payable and accrued expenses                                                   | 1,829,986             | (110,656)              |
| Deferred revenue                                                                        | 128,601               | (1,267,877)            |
| Net cash used in operating activities                                                   | <u>\$ (5,700,957)</u> | <u>\$ (14,196,396)</u> |

See accompanying notes to these financial statements.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 and 2009**

**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 assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects, 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 assets.

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.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

**(c) *Restricted Assets***

Certain assets, consisting of cash, investments and receivables, are segregated and classified as restricted assets, which may not be used except in accordance with state regulations or contractual terms, under certain conditions. 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 bond issues, restricted for the building expansion and improvements.
- Future debt obligations, funded with the proceeds of the 2003 Bonds defeasance are restricted currently for future debt obligations and 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.

**(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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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. There are other taxes on the occupancy of hotel and motel rooms in Orleans Parish. Those taxes are not available for the payment of debt service on the Authority's Bonds.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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). 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, 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.

**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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (the Department).

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

fund may be used to pay debt services on any bonds issued for construction financing of the Phase IV Expansion Project.

**(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 assets.

**(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, 2010 and 2009 was \$784,291 and \$695,400, respectively, of which \$398,899 and \$334,368 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
- 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.

**(i) *Cash Flows***

For the purposes of the statements of cash flows, cash and cash equivalents include investments with a maturity of three months or less.

**(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.

**(l) *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.).

**(m) *Deferred Revenue***

Revenue collected for events in future years is deferred.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) *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.

**(o) *Reclassifications***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**2. CASH AND INVESTMENTS**

The Authority's cash and investments consisted of the following as of December 31, 2010 and 2009, respectively:

| <b><u>December 31, 2010</u></b>    |                            |                          |                     |
|------------------------------------|----------------------------|--------------------------|---------------------|
|                                    | <b><u>Unrestricted</u></b> | <b><u>Restricted</u></b> | <b><u>Total</u></b> |
| Cash:                              |                            |                          |                     |
| Unrestricted                       | \$ 106,204,623             | -                        | 106,204,623         |
| Restricted for future obligations  | -                          | 21,849,100               | 21,849,100          |
| Restricted for deposits due others | -                          | 137,091                  | 137,091             |
| Restricted for debt service        | -                          | 10,410,983               | 10,410,983          |
| Restricted for capital projects    | -                          | 16,111,368               | 16,111,368          |
|                                    | <u>106,204,623</u>         | <u>48,508,542</u>        | <u>154,713,165</u>  |
| Investments, at fair value:        |                            |                          |                     |
| Unrestricted                       | 43,761,327                 | -                        | 43,761,327          |
| Restricted for debt reserve        | -                          | 21,497,049               | 21,497,049          |
| Restricted for other purposes      | -                          | 29,336,078               | 29,336,078          |
|                                    | <u>\$ 149,965,950</u>      | <u>99,341,669</u>        | <u>249,307,619</u>  |

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**2. CASH AND INVESTMENTS (continued)**

**December 31, 2009**

|                                    | <u>Unrestricted</u>   | <u>Restricted</u>  | <u>Total</u>       |
|------------------------------------|-----------------------|--------------------|--------------------|
| Cash:                              |                       |                    |                    |
| Unrestricted                       | \$ 61,992,252         | -                  | 61,992,252         |
| Restricted for future obligations  | -                     | 17,364,266         | 17,364,266         |
| Restricted for deposits due others | -                     | 134,384            | 134,384            |
| Restricted for debt service        | -                     | 43,695,583         | 43,695,583         |
| Restricted for capital projects    | -                     | 16,166,484         | 16,166,484         |
|                                    | <u>61,992,252</u>     | <u>77,360,717</u>  | <u>139,352,969</u> |
| Investments, at fair value:        |                       |                    |                    |
| Unrestricted                       | 46,888,840            | -                  | 46,888,840         |
| Restricted for debt reserve        | -                     | 21,494,884         | 21,494,884         |
| Restricted for other purposes      | -                     | 31,848,150         | 31,848,150         |
|                                    | <u>\$ 108,881,092</u> | <u>130,703,751</u> | <u>239,584,843</u> |

Actual cash in banks as of December 31, 2010 and 2009, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$127,969,031 and \$80,622,882, respectively. Of the total bank balances at December 31, 2010 and 2009, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. Additionally, cash and short-term investments held in trust for Debt Service, as of December 31, 2010 and 2009, was \$10,410,983 and \$43,695,583, respectively. As of December 31, 2010 and 2009, the Authority had repurchase agreements totaling \$19,296,066. 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.

The Authority's restricted investment securities consisted 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. Repurchase agreements are supported by collateral requirements varying from 104% to 105% of the account balance.

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**2. CASH AND INVESTMENTS (continued)**

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:

| <u>December 31, 2010</u> | <u>Interest</u> | <u>Termination</u> |                      |
|--------------------------|-----------------|--------------------|----------------------|
| <u>Bond Issue</u>        | <u>Rate</u>     | <u>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> |

| <u>December 31, 2009</u> | <u>Interest</u> | <u>Termination</u> |                      |
|--------------------------|-----------------|--------------------|----------------------|
| <u>Bond Issue</u>        | <u>Rate</u>     | <u>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.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of December 31:

|                                          | <u>2010</u>         | <u>2009</u>      |
|------------------------------------------|---------------------|------------------|
| Customers                                | \$ 1,395,249        | 1,511,186        |
| Other                                    | 530,493             | 34,734           |
|                                          | <u>1,925,742</u>    | <u>1,545,920</u> |
| Less allowance for uncollectible amounts | (279,869)           | (356,612)        |
|                                          | <u>\$ 1,645,873</u> | <u>1,189,308</u> |

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

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**4. PROPERTY, BUILDINGS AND EQUIPMENT**

A summary of changes in fixed assets follows:

|                                           | January 1,<br>2010    | Additions         | Deletions          | December 31,<br>2010  |
|-------------------------------------------|-----------------------|-------------------|--------------------|-----------------------|
| Land, non depreciable                     | \$ 76,575,515         | -                 | -                  | \$ 76,575,515         |
| Building/building improvements            | 453,415,635           | 2,024,681         | -                  | 455,440,316           |
| Equipment                                 | 18,102,631            | 651,560           | (85,538)           | 18,668,653            |
| Surface parking                           | 6,915,473             | -                 | -                  | 6,915,473             |
| Software                                  | 1,466,280             | 169,089           | -                  | 1,635,369             |
| Art/exhibits, non depreciable             | 210,000               | -                 | -                  | 210,000               |
| Construction in progress                  | 10,336,721            | 7,273,434         | (1,593,942)        | 16,016,213            |
|                                           | <u>567,022,255</u>    | <u>10,118,764</u> | <u>(1,679,480)</u> | <u>575,461,539</u>    |
| Accumulated depreciation and amortization | 187,386,117           | 14,457,499        | (62,144)           | 201,781,472           |
|                                           | <u>\$ 379,636,138</u> |                   |                    | <u>\$ 373,680,067</u> |

|                                           | January 1,<br>2009    | Additions        | Deletions          | December 31,<br>2009 |
|-------------------------------------------|-----------------------|------------------|--------------------|----------------------|
| Land, non depreciable                     | \$ 76,575,515         | -                | -                  | 76,575,515           |
| Building/building improvements            | 452,866,696           | 548,939          | -                  | 453,415,635          |
| Equipment                                 | 17,671,775            | 2,354,846        | (1,923,990)        | 18,102,631           |
| Surface parking                           | 6,915,473             | -                | -                  | 6,915,473            |
| Software                                  | 1,288,331             | 177,949          | -                  | 1,466,280            |
| Art/exhibits, non depreciable             | 210,000               | -                | -                  | 210,000              |
| Construction in progress                  | 7,588,946             | 3,376,993        | (629,218)          | 10,336,721           |
|                                           | <u>563,116,736</u>    | <u>6,458,727</u> | <u>(2,553,208)</u> | <u>567,022,255</u>   |
| Accumulated depreciation and amortization | 174,020,340           | 15,257,944       | (1,892,167)        | 187,386,117          |
|                                           | <u>\$ 389,096,396</u> |                  |                    | <u>379,636,138</u>   |

Remaining construction in 2010 and 2009 relates to building improvements of the existing structure.

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**5. LONG-TERM OBLIGATIONS**

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2010 and 2009:

|                      | <u>January 1, 2010</u> | <u>Additions</u> | <u>Deletions</u>   | <u>December 31, 2010</u> | <u>Due Within One Year</u> | <u>Over One Year</u> |
|----------------------|------------------------|------------------|--------------------|--------------------------|----------------------------|----------------------|
| Bonds payable \$     | 174,645,000            | -                | (7,130,000)        | 167,515,000              | 7,480,000                  | 160,035,000          |
| Go Zone payable      | 28,284,268             | -                | -                  | 28,284,268               | -                          | 28,284,268           |
| Compensated absences | 695,400                | 88,891           | -                  | 784,291                  | 385,392                    | 398,899              |
| \$                   | <u>203,624,668</u>     | <u>88,891</u>    | <u>(7,130,000)</u> | <u>196,583,559</u>       | <u>7,865,392</u>           | <u>188,718,167</u>   |

  

|                      | <u>January 1, 2009</u> | <u>Additions</u> | <u>Deletions</u>   | <u>December 31, 2009</u> | <u>Due Within One Year</u> | <u>Over One Year</u> |
|----------------------|------------------------|------------------|--------------------|--------------------------|----------------------------|----------------------|
| Bonds payable \$     | 181,445,000            | -                | (6,800,000)        | 174,645,000              | 7,130,000                  | 167,515,000          |
| Go Zone payable      | 28,284,268             | -                | -                  | 28,284,268               | -                          | 28,284,268           |
| Compensated absences | 524,282                | 171,118          | -                  | 695,400                  | 361,032                    | 334,368              |
| \$                   | <u>210,253,550</u>     | <u>171,118</u>   | <u>(6,800,000)</u> | <u>203,624,668</u>       | <u>7,491,032</u>           | <u>196,133,636</u>   |

**Bonds Payable**

Long-term debt activity for the years ended December 31, 2010 and 2009 is as follows:

| Series   | <u>January 1, 2010</u> | <u>Additions</u> | <u>Deletions</u>   | <u>December 31, 2010</u> |
|----------|------------------------|------------------|--------------------|--------------------------|
| 1996A \$ | 9,585,000              | -                | (4,670,000)        | 4,915,000                |
| 1996C    | 25,070,000             | -                | (170,000)          | 24,900,000               |
| 1998     | 22,500,000             | -                | -                  | 22,500,000               |
| 2000     | 25,330,000             | -                | (1,755,000)        | 23,575,000               |
| 2004     | 92,160,000             | -                | (535,000)          | 91,625,000               |
| \$       | <u>174,645,000</u>     | <u>-</u>         | <u>(7,130,000)</u> | <u>167,515,000</u>       |

**ERNEST N. MORIAL**  
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**5. LONG-TERM OBLIGATIONS (continued)**

| Series |    | January 1,<br>2009 | Additions | Deletions          | December 31,<br>2009 |
|--------|----|--------------------|-----------|--------------------|----------------------|
| 1996A  | \$ | 14,030,000         | -         | (4,445,000)        | 9,585,000            |
| 1996C  |    | 25,230,000         | -         | (160,000)          | 25,070,000           |
| 1998   |    | 22,500,000         | -         | -                  | 22,500,000           |
| 2000   |    | 27,000,000         | -         | (1,670,000)        | 25,330,000           |
| 2004   |    | 92,685,000         | -         | (525,000)          | 92,160,000           |
|        | \$ | <u>181,445,000</u> | <u>-</u>  | <u>(6,800,000)</u> | <u>174,645,000</u>   |

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

|                                                                                                                                                                                                                                | 2010                  | 2009               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| 1996A Series, Special Tax Bonds, interest rates between 5.2% and 5.25%, due in annual principal debt service requirements, final payment due July 2011                                                                         | \$ 4,915,000          | 9,585,000          |
| 1996C Series, Special Tax Bonds, interest rates between 5.2% and 5.6%, due in annual principal debt service requirements ranging from \$175,000 to \$2,825,000, final payment due July 2025; partially refunded by 2004 Series | 24,900,000            | 25,070,000         |
| 1998 Series, Special Tax Bonds, interest rates between 3.9% and 5.0%, due in annual principal debt service requirements ranging from \$10,975,000 to \$11,525,000, final payment due July 2027                                 | 22,500,000            | 22,500,000         |
| 2000 Series, Special Tax Bonds, interest rates between 4.7% and 5.25%, due in annual principal debt service requirements ranging from \$1,840,000 to \$2,970,000, final payment due July 2020                                  | 23,575,000            | 25,330,000         |
| 2004 Series, Refunding Bonds, interest rates between 2.3% and 5.0%, due in annual principal debt service requirements ranging from \$550,000 to \$9,165,000, final payment due July 2025                                       | <u>91,625,000</u>     | <u>92,160,000</u>  |
|                                                                                                                                                                                                                                | 167,515,000           | 174,645,000        |
| Plus unamortized net discount and deferred loss on bond refunding                                                                                                                                                              | (2,842,636)           | (3,163,241)        |
| Less current maturities                                                                                                                                                                                                        | <u>(7,480,000)</u>    | <u>(7,130,000)</u> |
| Long-term debt less current maturities                                                                                                                                                                                         | \$ <u>157,192,364</u> | <u>164,351,761</u> |

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**5. LONG-TERM OBLIGATIONS (continued)**

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, and 2004 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, 2010 is \$280,120,000.

The annual requirements to amortize all bonds and notes payable as of December 31, 2010, were as follows:

| Principal | Bond Series  |            |            |              |            |            | Total Bonds  |
|-----------|--------------|------------|------------|--------------|------------|------------|--------------|
|           | 1996A        | 1996C      | 1998       | 2000         | 2004       | Go Zone    | Payable      |
| 2011      | \$ 4,915,000 | \$ 175,000 | \$ -       | \$ 1,840,000 | \$ 550,000 | \$ -       | \$ 7,480,000 |
| 2012      | -            | 1,585,000  | -          | 1,935,000    | 4,340,000  | 1,346,677  | 9,206,677    |
| 2013      | -            | 1,670,000  | -          | 2,035,000    | 4,490,000  | 1,409,162  | 9,604,162    |
| 2014      | -            | 1,760,000  | -          | 2,150,000    | 4,715,000  | 1,474,547  | 10,099,547   |
| 2015      | -            | 1,855,000  | -          | 2,265,000    | 4,950,000  | 1,542,966  | 10,612,966   |
| 2016-2020 | -            | 6,205,000  | -          | 13,350,000   | 33,420,000 | 8,857,529  | 61,832,529   |
| 2021-2025 | -            | 11,650,000 | -          | -            | 39,160,000 | 11,112,230 | 61,922,230   |
| 2026-2030 | -            | -          | 22,500,000 | -            | -          | 2,541,157  | 25,041,157   |
| Total     | 4,915,000    | 24,900,000 | 22,500,000 | 23,575,000   | 91,625,000 | 28,284,268 | 195,799,268  |

  

| Interest  | Bond Series |            |            |           |            |            | Total Interest |
|-----------|-------------|------------|------------|-----------|------------|------------|----------------|
|           | 1996A       | 1996C      | 1998       | 2000      | 2004       | Go Zone    | Payable        |
| 2011      | 258,038     | 1,374,113  | 1,125,000  | 1,215,125 | 4,491,550  | -          | 8,463,826      |
| 2012      | -           | 1,364,925  | 1,125,000  | 1,126,805 | 4,476,150  | 1,312,390  | 9,405,270      |
| 2013      | -           | 1,280,920  | 1,125,000  | 1,030,055 | 4,324,230  | 1,249,904  | 9,010,129      |
| 2014      | -           | 1,190,740  | 1,125,000  | 928,305   | 4,099,750  | 1,184,519  | 8,528,314      |
| 2015      | -           | 1,095,700  | 1,125,000  | 818,655   | 3,864,000  | 1,116,100  | 8,019,455      |
| 2016-2020 | -           | 3,957,200  | 5,625,000  | 2,178,750 | 15,237,000 | 4,437,802  | 31,435,752     |
| 2021-2025 | -           | 1,842,120  | 5,625,000  | -         | 6,169,000  | 2,183,101  | 15,819,221     |
| 2026-2030 | -           | -          | 1,701,250  | -         | -          | 117,910    | 1,819,160      |
| Total     | 258,038     | 12,105,718 | 18,576,250 | 7,297,695 | 42,661,700 | 11,601,726 | 92,501,127     |

  

| Total     | Bond Series  |               |               |               |                |               | Total          |
|-----------|--------------|---------------|---------------|---------------|----------------|---------------|----------------|
|           | 1996A        | 1996C         | 1998          | 2000          | 2004           | Go Zone       | Payable        |
| 2011      | 5,173,038    | 1,549,113     | 1,125,000     | 3,055,125     | 5,041,550      | -             | 15,943,826     |
| 2012      | -            | 2,949,925     | 1,125,000     | 3,061,805     | 8,816,150      | 2,659,067     | 18,611,947     |
| 2013      | -            | 2,950,920     | 1,125,000     | 3,065,055     | 8,814,250      | 2,659,066     | 18,614,291     |
| 2014      | -            | 2,950,740     | 1,125,000     | 3,078,305     | 8,814,750      | 2,659,066     | 18,627,861     |
| 2015      | -            | 2,950,700     | 1,125,000     | 3,083,655     | 8,814,000      | 2,659,066     | 18,632,421     |
| 2016-2020 | -            | 10,162,200    | 5,625,000     | 15,528,750    | 48,657,000     | 13,295,331    | 93,268,281     |
| 2021-2025 | -            | 13,492,120    | 5,625,000     | -             | 45,329,000     | 13,295,331    | 77,741,451     |
| 2026-2030 | -            | -             | 24,201,250    | -             | -              | 2,659,067     | 26,860,317     |
| Total     | \$ 5,173,038 | \$ 37,005,718 | \$ 41,076,250 | \$ 30,872,695 | \$ 134,286,700 | \$ 39,885,994 | \$ 288,300,395 |

The Authority is in compliance with its bond covenants as of December 31, 2010 and 2009.

**ERNEST N. MORIAL**  
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**5. LONG-TERM OBLIGATIONS (continued)**

**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 shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan bears an interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan matures in July 2026. Interest and principal are payable annually on July 15 beginning July 2012. The loan may be prepaid without penalty or premium. The Board has the right to request one extension of its obligation to begin payments under the loan not to exceed five years. The Go Zone proceeds were used to pay certain interest and principal payments related to Bond Series 2003 and Bond Series 1998 debt.

**Compensated Absences**

The Authority's obligation to its employees for accrued vacation time totaled \$784,291 and \$695,400 as of December 31, 2010 and December 31, 2009, respectively. The estimated long-term portion as of December 31, 2010 and 2009 is based on historical data and totaled \$398,899 and \$334,368, respectively. The short-term portion as of 2010 and 2009 was \$385,392 and \$361,032, respectively.

**6. DEFERRED REVENUE**

A summary of the deferred revenue, consisting primarily of rental payments, is as follows:

|                      | 2010              | 2009              |
|----------------------|-------------------|-------------------|
| Customer prepayments | \$ 3,138,049      | \$ 3,009,446      |
| Less current portion | 2,405,151         | 2,200,050         |
| Long term portion    | \$ <u>732,898</u> | \$ <u>809,396</u> |

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. TAXES**

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

|                            | 2010                |                      | 2009                |                      |
|----------------------------|---------------------|----------------------|---------------------|----------------------|
|                            | Receivables         | Revenue              | Receivables         | Revenue              |
| 3% Hotel Occupancy Tax     | \$ 3,609,076        | \$ 21,284,037        | \$ 3,002,907        | \$ 17,819,206        |
| State Economic Development | 2,000,000           | 2,000,000            | 2,000,000           | 2,000,000            |
| Hotel Occupancy Food       |                     |                      |                     |                      |
| Beverage Tax               | 2,188,891           | 12,554,773           | 1,839,126           | 11,097,504           |
| Service Contractors        |                     |                      |                     |                      |
| and Tour Tax               | 351,168             | 1,718,018            | 319,413             | 1,484,388            |
| RTA Tax                    | 594,055             | 1,321,561            | 850,773             | 1,172,633            |
| Collection Fee             | -                   | (670,304)            | -                   | (597,214)            |
|                            | <u>\$ 8,683,189</u> | <u>\$ 38,208,085</u> | <u>\$ 8,012,219</u> | <u>\$ 32,976,517</u> |

**8. COMMISSIONS**

Under the contractual agreements with vendors allowed to operate with the Convention Center, the Authority receives various commissions. For the years ended December 31, 2010 and 2009, the Authority earned \$5,598,196 and \$3,711,056, respectively, in commissions.

**9. COMMITMENTS AND CONTINGENCIES**

**(a) Self-insurance**

For 2010 and 2009, the Authority is self-insured for medical claims up to \$75,000 per participant. In 2010 and 2009, the aggregate for claims liability was \$2,284,055 and \$2,061,563, 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<br>of year<br>liability | Current year<br>claims and<br>changes in<br>estimates | Claim<br>payments | Balance at<br>year end |
|---------|-----------------------------------|-------------------------------------------------------|-------------------|------------------------|
| 2009 \$ | 171,488                           | 1,179,664                                             | (1,101,046)       | 250,106                |
| 2010 \$ | 250,106                           | 1,467,359                                             | (1,425,487)       | 291,978                |

**(b) Contingencies**

The Authority is subject to claims related to its ongoing operations as well as questioned costs and/or adjustments related to any state or federal funding received in recent periods. The Authority assesses these claims as they arise. As of December 31, 2010, the Authority is aware of a potential contingency of which the amount is not determined related to FEMA funds received in previous years. This is an ongoing matter. As of the date of this report, the outcome has not been determined. No significant amounts have been accrued.

**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 the financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of *material misstatement*, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

This report is intended solely for the information of the Authority, the Authority's management; federal, state and city awarding agencies; and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Posthumus + Metterville*

New Orleans, Louisiana  
March 25, 2011