

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

Audits of Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Metairie, LA
March 19, 2019

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

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, 2018 and 2017. 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 Ernest N. Morial New Orleans Exhibition Hall Authority's exclusive mission is to finance, construct, and operate facilities in order to attract and conduct conventions, trade shows, and other events that support and expand the economy of both the State of Louisiana and New Orleans Region. In support of this mission, the following are notable financial results from 2018:

- 2018 saw an almost 4% increase in the number of events (139) compared to 2017, with an increase in the total attendee (956,430) figures of 7.2% and room nights (738,549) attendance of 3.5%; total out of town attendance (656,005) saw a 7.8% reduction compared to 2017
- Net position increased by \$7.1MM, an increase of 1.3% from prior year
- Cash flows increased by \$26MM due to tax revenues and sales of investments
- Tax revenues increased \$3.7MM, or 5.9%, compared to 2017, with all debt covenants having been met

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

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

- 2018 total assets and deferred outflows of resources increased \$1.2MM compared to 2017
- The downward trend of liabilities continues with a 5.2% reduction since 2017 and a 12.9% decrease since 2016 as a result of bond repayments
- The Authority continues to experience an increase in Net Position reaching \$560MM at December 31, 2018

Table A-1
Ernest N. Morial New Orleans Exhibition Hall Authority
Condensed Statements of Net Position (in thousands of dollars)
December 31, 2018, 2017, and 2016

	2018	2017	2016
Current Assets	\$ 161,772	\$ 153,673	\$ 152,475
Designated and Restricted Assets	157,786	164,117	148,966
Capital Assets	346,621	346,945	351,306
Total Assets	666,179	664,735	652,747
Unamortized Loss on Bond Refinancing	1,725	1,987	2,250
Total Deferred Outflows of Resources	1,725	1,987	2,250
Total Assets and Deferred Outflows of Resources	\$ 667,904	\$ 666,722	\$ 654,997
Current Liabilities	\$ 27,336	\$ 22,253	\$ 22,283
Long-Term Liabilities	80,308	91,341	101,310
Total Liabilities	107,644	113,594	123,593
Net Position			
Net Investment in Capital Assets	259,552	250,430	245,665
Restricted	66,178	84,426	57,953
Unrestricted	234,530	218,272	227,786
Total Net Position	560,260	553,128	531,404
Total Liabilities and Net Position	\$ 667,904	\$ 666,722	\$ 654,997

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

Changes in Net Position

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

- The operating loss increased year over year by 15.3% from 2017 to 2018 and increased by 21.2% since 2016
- Tax collections, shown in the Non-Operating Revenues line, increased \$3.7MM, or 5.9%, compared to 2017 and continues to offset the operational loss
- In 2018, the Authority recorded \$23.7MM in distributions to government agencies, which included \$1MM for safety in the French Quarter, \$8MM for the Development of Governor Nicholls/Esplanade Wharves, \$4.8MM for Convention Center Boulevard Traffic Reconfiguration, including Spanish Plaza, \$9.6MM for Public Safety and Homeland Security Enhancements, and \$250K for the Low Barrier Shelter

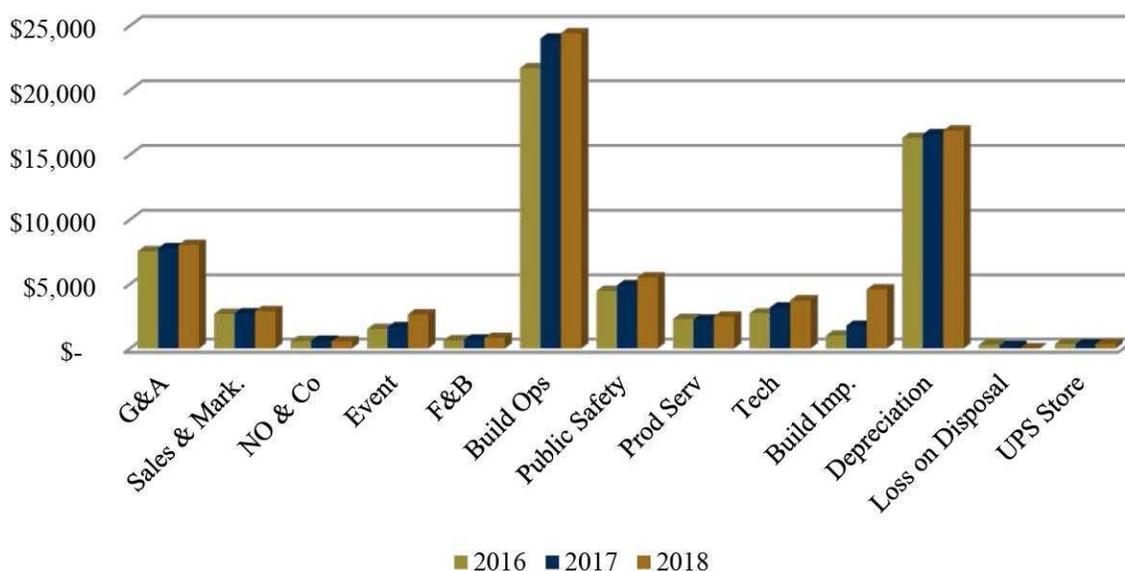
Table A-2
Ernest N. Morial New Orleans Exhibition Hall Authority
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)
For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Operating Revenues:			
User Fees and Other Revenues	\$ 26,944	\$ 27,120	\$ 25,660
Food and Beverage	9,561	7,993	6,317
Total Operating Revenues	36,505	35,113	31,977
Operating Expenses:			
Operating Expenses	55,929	49,991	45,614
Depreciation	16,851	16,572	16,288
Total Operating Expenses	72,780	66,563	61,902
Operating Income (Loss)	(36,275)	(31,450)	(29,925)
Non-Operating Revenues, Net	43,407	53,174	55,880
Change in Net Position	7,132	21,724	25,955
Net Position, Beginning of the Year	553,128	531,404	505,449
Net Position, End of the Year	\$ 560,260	\$ 553,128	\$ 531,404

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

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



Cash Flows

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

- 2018 saw a 2.5% increase of investment sales and activities compared to 2017
- In 2018, Capital and related financing activities accounted for capital asset acquisitions, including the Construction in Progress related to the Linear Park Project, as well as scheduled debt payments; in 2017, it was scheduled debt payments and capital asset acquisitions, including the New Orleans Culinary and Hospitality Institute Building

**Table A-3
Ernest N. Morial New Orleans Exhibition Hall Authority
Condensed Statements of Cash Flows (in thousands of dollars)
For the Years Ended December 31, 2018, 2017, and 2016**

	2018	2017	2016
Cash Flows from:			
Operations	\$ (18,173)	\$ (18,024)	\$ (12,901)
Noncapital Financing	45,542	52,039	59,664
Capital and Related Financing Activities	(27,687)	(24,552)	(16,036)
Investing Activities	26,141	25,503	25,622
Net Increase in Cash	<u>\$ 25,823</u>	<u>\$ 34,966</u>	<u>\$ 56,349</u>

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

- Through December 31, 2018, the Authority has invested approximately \$661MM in property, buildings, and equipment; this figure is comprised of \$105.5MM not depreciated and \$555.5MM being depreciated
- 2018 resulted in \$16.5MM of assets added during the year with no disposals recognized
- In 2017, \$12.4MM of assets were added, and in 2016, the \$3.6MM were added
- Construction in progress continues to reflect the work related to the Convention Center Development District and ongoing capital improvements; The Great Hall remodel was the last major project completed and put into service in 2013

Debt Administration

The administration and repayment of debt has continued as scheduled:

- In 2018, almost \$8.5MM of bond principal payments were made; during 2017, \$8.2MM in bond principal payments were made
- All debt covenants have been met; Continuing Disclosure reports are maintained in the official municipal repository

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

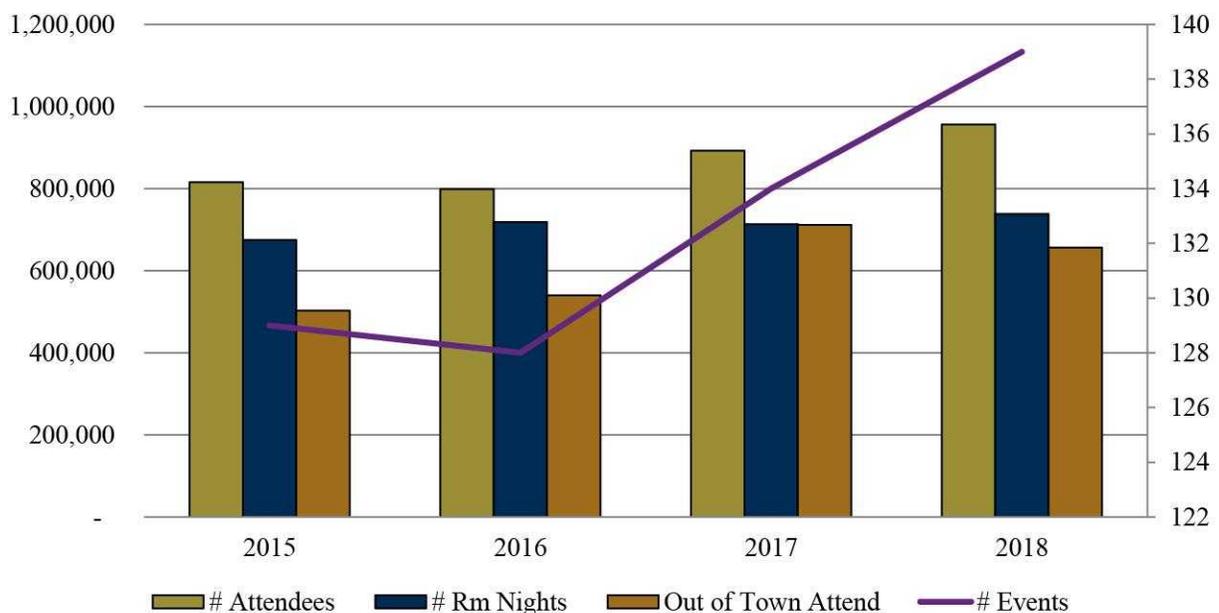
- The economic impact report for 2018 has not yet been completed
- The key measurements of the Center's economic impact for 2017 are as follows:
 - Total annual impact of \$2.3B: \$1.3B of direct spending and \$1B of indirect spending
 - All spending resulted in \$175MM in tax revenues collected by the State and local governments
 - Over 22,000 jobs were supported by the Center which created \$709MM in income for local residents

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Management's Discussion and Analysis

- Graph B-2 illustrates the key internal economic factors that affect the operating revenues and expenses:
 - 2018 saw an almost 4% increase in the number of events compared to 2017, with an increase in the total attendee figures of 7.2% and room nights attendance of 3.5%; total out of town attendance saw a 7.8% reduction compared to 2017
 - The 2019 budget estimates fewer events total attendees and out of town attendees and number of room nights than 2018 (*Note: no assurances can be made that all anticipated conventions will occur; thus, 2019 estimates may not be realized*)

Graph B-2 - Economic Factors



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, 2018 and 2017

	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 155,640,593	\$ 123,689,222
Investments	1,991,693	25,474,834
Accounts Receivable, Net	3,240,653	3,764,197
Interest Receivable	140,901	193,685
Prepaid Expenses and Other Assets	759,028	551,001
Total Current Assets	161,772,868	153,672,939
Designated and Restricted Assets		
Cash, Designated for Construction	-	13,958
Cash, Designated by Board for Future Specified Use	46,300,000	35,600,000
Cash, Restricted Primarily for Construction and Debt Service	5,462,037	5,418,276
Cash, Restricted to Satisfy Cooperative Endeavor Agreements	29,884,321	46,742,679
Investments, Designated by Board for Future Specified Use	40,995,405	41,995,405
Investments, Restricted for Debt Service	21,820,520	19,277,672
Interest Receivable	166,030	165,048
Taxes Receivable	13,157,663	14,903,820
Total Designated and Restricted Assets	157,785,976	164,116,858
Property, Building, and Equipment, Net	346,620,740	346,944,856
Total Assets	666,179,584	664,734,653
Deferred Outflows of Resources		
Unamortized Loss on Bond Refinancing	1,724,782	1,987,213
Total Assets and Deferred Outflows of Resources	\$ 667,904,366	\$ 666,721,866

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Statements of Net Position (Continued)
December 31, 2018 and 2017

	2018	2017
Liabilities and Net Position		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	\$ 6,920,240	\$ 6,142,932
Other Payables	1,777,701	1,420,501
Unearned Revenue, Current Portion	3,960,387	3,468,161
Compensated Absences, Current Portion	565,450	645,244
Total Current Liabilities (Payable from Current Assets)	13,223,778	11,676,838
Current Liabilities (Payable from Restricted Assets)		
Other Liabilities	2,575,158	175,399
Accrued Bond Interest	1,737,018	1,906,120
Current Portion of Bonds Payable	9,800,000	8,495,000
Total Current Liabilities (Payable from Restricted Assets)	14,112,176	10,576,519
Total Current Liabilities	27,335,954	22,253,357
Long-Term Liabilities		
Compensated Absences, Less Current Portion	378,050	357,957
Bonds Payable, Less Current Portion, Net	78,993,418	90,007,134
Unearned Revenue, Less Current Portion	936,219	975,318
Total Long-Term Liabilities	80,307,687	91,340,409
Total Liabilities	107,643,641	113,593,766
Net Position		
Net Investment in Capital Assets	259,552,104	250,429,933
Restricted Primarily for Debt Service, Construction, and CEA	66,178,395	84,425,976
Unrestricted	234,530,226	218,272,191
Total Net Position	560,260,725	553,128,100
Total Liabilities and Net Position	\$ 667,904,366	\$ 666,721,866

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
User Fees	\$ 26,411,065	\$ 26,607,168
Food and Beverage	9,561,231	7,992,572
The UPS Store	326,280	346,696
Rentals	150,661	161,676
Miscellaneous	56,283	5,358
	<hr/>	<hr/>
Total Operating Revenues	36,505,520	35,113,470
	<hr/>	<hr/>
Operating Expenses		
General and Administrative	8,026,899	7,782,526
Sales and Marketing	2,887,610	2,725,603
New Orleans & Company	546,682	594,948
Event Services	2,641,485	1,648,622
Food Services	807,455	684,268
Building Operations	24,412,110	23,999,184
Public Safety	5,502,728	4,893,930
Production Services	2,456,005	2,230,078
Technology Services	3,730,576	3,174,820
Non-Capital, One-Time Projects	2,866,417	1,759,162
Non-Capital, Development Expense	1,707,846	-
Depreciation	16,851,264	16,571,938
Loss on Disposal of Assets	-	184,241
The UPS Store	343,038	313,579
	<hr/>	<hr/>
Total Operating Expenses	72,780,115	66,562,899
	<hr/>	<hr/>
Operating Loss	(36,274,595)	(31,449,429)
	<hr/>	<hr/>
Non-Operating Revenues (Expenses)		
Tax Revenues	65,988,353	62,291,707
Investment Income	4,148,930	2,232,214
Interest Expense	(3,042,853)	(3,403,612)
Distributions to Government Agencies	(23,687,210)	(6,412,660)
Refund of Hotel Occupancy Taxes	-	(1,533,704)
	<hr/>	<hr/>
Total Non-Operating Revenues, Net	43,407,220	53,173,945
	<hr/>	<hr/>
Change in Net Position	7,132,625	21,724,516
	<hr/>	<hr/>
Net Position, Beginning of Year	553,128,100	531,403,584
	<hr/>	<hr/>
Net Position, End of Year	\$ 560,260,725	\$ 553,128,100
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The accompanying notes are an integral part of these financial statements.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Received from User Fees	\$ 27,573,365	\$ 25,192,651
Cash Received from Other Sources	9,908,826	7,189,566
Cash Paid to Employees and for Related Expenses	(28,020,792)	(26,736,387)
Cash Paid to Suppliers	(27,634,944)	(23,669,872)
Net Cash Used in Operating Activities	(18,173,545)	(18,024,042)
Cash Flows from Non-Capital Financing Activities		
Cash Received from Taxes	67,734,510	59,089,455
Distributions to Government Agencies	(22,192,342)	(5,517,000)
Refund of Hotel Occupancy Taxes	-	(1,533,704)
Net Cash Provided by Non-Capital Financing Activities	45,542,168	52,038,751
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(15,028,593)	(11,881,699)
Interest Paid	(4,163,240)	(4,495,605)
Repayment of Bonds	(8,495,000)	(8,175,000)
Proceeds from 2014 Bond Issuance	-	-
Cash Paid for Bond Issuance Costs	-	-
Net Cash Used in Capital and Related Financing Activities	(27,686,833)	(24,552,304)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(81,557,619)	(90,418,553)
Investment Sales and Maturities	104,022,734	113,745,282
Interest Payments Received	3,675,911	2,176,867
Net Cash Provided by Investing Activities	26,141,026	25,503,596
Net Increase in Cash	25,822,816	34,966,001
Cash, Beginning of Year	211,464,135	176,498,134
Cash, End of Year	\$ 237,286,951	\$ 211,464,135
Reconciliation to Statements of Net Position		
Cash - Current Assets	\$ 155,640,593	\$ 123,689,222
Cash, Designated for Construction	-	13,958
Cash, Designated by Board for Future Specified Use	46,300,000	35,600,000
Cash, Restricted Primarily for Construction and Debt Service	5,462,037	5,418,276
Cash, Restricted to Satisfy Cooperative Endeavor Agreements	29,884,321	46,742,679
Total Cash	\$ 237,286,951	\$ 211,464,135

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating Loss	\$ (36,274,595)	\$ (31,449,429)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities		
Depreciation	16,851,264	16,571,938
Loss from Disposal of Capital Assets	-	184,241
(Increase) Decrease in:		
Accounts Receivable	523,544	(1,925,270)
Prepaid and Other Assets	(208,027)	465,120
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	481,142	(1,064,658)
Unearned Revenue	453,127	(805,984)
Net Cash Used in Operating Activities	\$ (18,173,545)	\$ (18,024,042)

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Reporting Entity

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

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

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

Basis of Presentation

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

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

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

Basis of Reporting

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

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

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

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

The Authority utilizes available restricted assets before utilizing unrestricted assets.

Designated and Restricted Assets

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

Restricted assets are held as follows:

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Designated and Restricted Assets (Continued)

- Capital projects, funded by the proceeds of taxes, restricted for building expansion and improvements.
- Venture Lease Escrows, which include rental income received by the Authority on behalf of and remitted to the City of New Orleans for property owned by the City. In addition to the amounts collected on behalf of the City of New Orleans, the Authority also collects certain funds related to a third-party cell site. The amounts payable are included in other liabilities on the balance sheet.
- Cooperative Endeavor Agreement with the State of Louisiana, Office of Facility Planning and Control of the Division of Administration to undertake enhancement of the Convention Center and installation of basic infrastructure to facilitate establishment and development of the Convention Center District.
- Cooperative Endeavor Agreements with the City of New Orleans for the development of Convention Center Boulevard and Spanish Plaza and to enhance public safety for residents, employees, and visitors,
- Cooperative Endeavor Agreement with the City of New Orleans, the New Orleans Convention and Visitors Bureau (now known as New Orleans & Company), and the Louisiana Department of Public Safety: Public Safety Services, Office of Louisiana State Police (LSP) to further enhance public safety in the French Quarter in the City of New Orleans.
- Cooperative Endeavor Agreement with New Orleans & Company, the Board of Commissioners for the Port of New Orleans, and the Audubon Commission for cooperative funding for the development of the Governor Nicholls and Esplanade wharves and riparian land.
- Cooperative Endeavor Agreement was made between the Authority, the City of New Orleans, and the Downtown Development District to accomplish the public purpose of enhancing public services available to the homeless population of New Orleans.

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

Cash

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, the Authority may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Property, Building, and Equipment

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

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

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

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

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

Taxes

The Authority receives dedicated taxes as follows:

Hotel Occupancy Tax

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Taxes (Continued)

Hotel Occupancy Tax (Continued)

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

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

Hotel Occupancy/Food and Beverage Tax

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

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

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

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Taxes (Continued)

Food and Beverage Tax

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

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

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

Service Contractors and Tour Tax

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

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Taxes (Continued)

Service Contractors and Tour Tax (Continued)

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

RTA Tax

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

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

State of Louisiana, Department of State Economic Development

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

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

Capital Contributions

Contributions from state appropriations are made available to the Authority for capital improvements and are recognized when the expenses have been incurred and approval of the appropriation has been received. These appropriations are included in capital contributions in the statements of revenues, expenses, and changes in net position. There were no capital contributions for the years ended December 31, 2018 and 2017.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

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

Bond Issuance Costs and Refunding

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

Risk Management

The Authority provides for losses, up to the per employee maximum amount, resulting from health insurance claims (see Note 11). The Authority is commercially insured for amounts greater than the annual maximum as well as for other significant risks (e.g., general liability, workers' compensation, building, etc.).

Revenues and Unearned Revenue

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

Use of Estimates

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 2. Cash and Investments

The Authority's cash and investments consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Cash		
Unrestricted	\$ 155,640,593	\$ 123,689,222
Designated for Construction	-	13,958
Designated by Board for Future Specified Use	46,300,000	35,600,000
Restricted Primarily for Debt Service and Construction	5,462,037	5,418,276
Restricted to Satisfy Cooperative Endeavor Agreements	29,884,321	46,742,679
Total Cash	\$ 237,286,951	\$ 211,464,135
Investments		
Unrestricted	\$ 1,991,693	\$ 25,474,834
Designated by Board for Future Specified Use	40,995,405	41,995,405
Restricted for Debt Service	21,820,520	19,277,672
Total Investments	\$ 64,807,618	\$ 86,747,911

Actual cash in banks as of December 31, 2018 and 2017 for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$237,256,312 and \$211,349,312, respectively. Of the total bank balances at December 31, 2018 and 2017, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. Because the pledged securities are held by the pledging fiscal agent in the Authority's name, the Authority does not have any custodial credit risk. The pledged securities may be released only upon the written authorization of the Authority.

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

At December 31, 2018 and 2017, investment balances were as follows:

<u>Investment Type</u>	<u>2018</u>	<u>2017</u>
U.S. Agency	\$ 38,267,508	\$ 47,497,142
U.S. Treasury	2,493,735	19,963,950
Cash	16,655,075	11,895,519
Repurchase Agreements	7,391,300	7,391,300
Total	\$ 64,807,618	\$ 86,747,911

Credit Quality Risk

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

Credit ratings of the Authority's investments in debt securities as of December 31, 2018 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Total</u>
AAA	\$ 38,267,508	\$ 2,493,735	\$ 40,761,243

Credit ratings of the Authority's investments in debt securities as of December 31, 2017 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Total</u>
AAA	\$ 47,497,142	\$ 19,963,950	\$ 67,461,092

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, 2018 and 2017 were not subject to custodial credit risk.

Concentration of Credit Risk

Effective June 2018, the Authority's investment policy allows for investment in all types of investments as stipulated in LRS 33:2955 with certain limitations on the type of investment. As of December 31, 2018 and 2017, the Authority was in compliance with its investment policy.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Interest Rate Risk

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

At December 31, 2018, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

Investment Type	Total	Less than One Year	1 - 5 Years
U.S. Agency	\$ 38,267,508	\$ 17,023,693	\$ 21,243,815
U.S. Treasury	2,493,735	2,493,735	-
Total	<u>\$ 40,761,243</u>	<u>\$ 19,517,428</u>	<u>\$ 21,243,815</u>

At December 31, 2017, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

Investment Type	Total	Less than One Year	1 - 5 Years
U.S. Agency	\$ 47,497,142	\$ 20,496,650	\$ 27,000,492
U.S. Treasury	19,963,950	19,963,950	-
Total	<u>\$ 67,461,092</u>	<u>\$ 40,460,600</u>	<u>\$ 27,000,492</u>

Repurchase Agreements

As of December 31, 2018 and 2017, the Authority had \$7,391,300 of repurchase agreements with fixed rates of interest through the terms of the agreements. These investments are held under the terms of the bond indenture agreements as reserve funds. The repurchase agreements were supported by collateral requirements varying from 104% to 105% of the account balance. Collateral is held in the name of the trustees of the bond issue for the benefit of the Authority and consists of U.S. government and agency securities. Custodians are independent of the counterparties to the agreements. Under the terms of the repurchase agreements, the trustees may make deposits and withdrawals for these accounts in accordance with certain terms of the trust indenture agreements. The investments are subject to custodial credit risk upon default of the custodian.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

The Authority's repurchase agreements were as follows as of December 31, 2018:

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

The Authority's repurchase agreements were as follows as of December 31, 2017:

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

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

Note 3. Accounts Receivable

Accounts receivable consisted of the following as of December 31:

	2018	2017
Customers	\$ 3,592,504	\$ 4,009,216
Other	10,839	35,920
	<u>3,603,343</u>	<u>4,045,136</u>
Less Allowance for Uncollectible Accounts	<u>(362,690)</u>	<u>(280,939)</u>
Total	\$ 3,240,653	\$ 3,764,197

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

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 4. Property, Building, and Equipment

Property, building, and equipment are summarized as follows at December 31, 2018:

	Balance January 1, 2018	Additions/ Increases	Transfers	Disposals/ Retirements	Balance December 31, 2018
Capital Assets Not Depreciated					
Land	\$ 79,222,985	\$ -	\$ -	\$ -	\$ 79,222,985
Art/Exhibits	182,000	-	-	-	182,000
Construction in Progress	16,468,832	10,504,258	(849,781)	-	26,123,309
Total Capital Assets Not Depreciated	95,873,817	10,504,258	(849,781)	-	105,528,294
Capital Assets Being Depreciated					
Building/Building Improvements	522,767,707	4,068,193	626,648	-	527,462,548
Equipment	15,692,894	1,055,728	223,133	-	16,971,755
Surface Parking	8,211,006	241,289	-	-	8,452,295
Software	1,961,459	657,680	-	-	2,619,139
Total Capital Assets Being Depreciated	548,633,066	6,022,890	849,781	-	555,505,737
Less Accumulated Depreciation and Amortization	(297,562,027)	(16,851,264)	-	-	(314,413,291)
Total Capital Assets, Net	\$ 346,944,856	\$ (324,116)	\$ -	\$ -	\$ 346,620,740

Property, building, and equipment are summarized as follows at December 31, 2017:

	Balance January 1, 2017	Additions/ Increases	Transfers	Disposals/ Retirements	Balance December 31, 2017
Capital Assets Not Depreciated					
Land	\$ 76,575,515	\$ 2,647,470	\$ -	\$ -	\$ 79,222,985
Art/Exhibits	210,000	-	-	(28,000)	182,000
Construction in Progress	15,429,787	2,158,649	(1,119,604)	-	16,468,832
Total Capital Assets Not Depreciated	92,215,302	4,806,119	(1,119,604)	(28,000)	95,873,817
Capital Assets Being Depreciated					
Building/Building Improvements	515,375,322	6,272,781	1,119,604	-	522,767,707
Equipment	14,365,064	1,339,588	-	(11,758)	15,692,894
Surface Parking	8,211,006	-	-	-	8,211,006
Software	2,520,203	-	-	(558,744)	1,961,459
Total Capital Assets Being Depreciated	540,471,595	7,612,369	1,119,604	(570,502)	548,633,066
Less Accumulated Depreciation and Amortization	(281,380,563)	(16,571,938)	-	390,474	(297,562,027)
Total Capital Assets, Net	\$ 351,306,334	\$ (4,153,450)	\$ -	\$ (208,028)	\$ 346,944,856

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

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

The construction in progress as of December 31, 2018 and 2017 includes routine capital improvements and consulting surveys, architectural and engineering contracts, and related improvements associated with the Convention Center Development District, which began construction in September 2018 on the pedestrian part and street improvements which are part of the transformation of Convention Center Boulevard, stretching from Poydras Street upriver to Henderson Street.

Note 5. Fair Value

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

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

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

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

The valuation of the Authority's investments measured at fair value at December 31, 2018, is as follows:

	Level 1	Level 2	Level 3	Total
Investments Reported at Fair Value				
Cash	\$ 16,655,075	\$ -	\$ -	\$ 16,655,075
Fixed Income Securities				
U.S. Treasury Obligations	2,493,735	-	-	2,493,735
U.S. Agency Obligations	13,502,783	24,764,725	-	38,267,508
Total Investments Reported at Fair Value				
	\$ 32,651,593	\$ 24,764,725	\$ -	57,416,318
Investments Not Reported at Fair Value				
Repurchase Agreements				7,391,300
Total Investments				
				\$ 64,807,618

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 5. Fair Value (Continued)

The valuation of the Authority's investments measured at fair value at December 31, 2017, is as follows:

	Level 1	Level 2	Level 3	Total
Investments Reported at Fair Value				
Cash	\$ 11,895,519	\$ -	\$ -	\$ 11,895,519
Fixed Income Securities				
U.S. Treasury Obligations	19,963,950	-	-	19,963,950
U.S. Agency Obligations	13,425,930	34,071,212	-	47,497,142
Total Investments Reported at Fair Value	\$ 45,285,399	\$ 34,071,212	\$ -	79,356,611
Investments Not Reported at Fair Value				
Repurchase Agreements				7,391,300
Total Investments				\$ 86,747,911

Note 6. Long-Term Obligations

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2018 and 2017:

	January 1, 2018	Additions	Deletions	December 31, 2018	Due Within One Year	Over One Year
Bonds Payable	\$ 88,500,000	\$ -	\$ (8,495,000)	\$ 80,005,000	\$ 9,800,000	\$ 70,205,000
Adjustments: Premiums						8,788,418
						<u>78,993,418</u>
Compensated Absences	1,003,201	-	(129,267)	943,500	565,450	378,050
	\$ 89,503,201	\$ -	\$ (8,624,267)	\$ 80,948,500	\$ 10,365,450	\$ 79,371,468
	January 1, 2017	Additions	Deletions	December 31, 2017	Due Within One Year	Over One Year
Bonds Payable	\$ 96,675,000	\$ -	\$ (8,175,000)	\$ 88,500,000	\$ 8,495,000	\$ 80,005,000
Adjustments: Premiums						10,002,134
						<u>90,007,134</u>
Compensated Absences	803,654	199,547	-	1,003,201	645,244	357,957
	\$ 97,478,654	\$ 199,547	\$ (8,175,000)	\$ 89,503,201	\$ 9,140,244	\$ 90,365,091

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Bonds

Long-term debt activity for the years ended December 31, 2018 and 2017, was as follows:

	Series 2012 Bonds	Series 2014 Bonds	Total
Balance January 1, 2018	\$ 34,785,000	\$ 53,715,000	\$ 88,500,000
Additions	-	-	-
Maturities/Refinancing	(3,580,000)	(4,915,000)	(8,495,000)
Balance December 31, 2018	\$ 31,205,000	\$ 48,800,000	\$ 80,005,000
Due Within One Year	\$ 2,340,000	\$ 7,460,000	\$ 9,800,000

	Series 2012 Bonds	Series 2014 Bonds	Total
Balance January 1, 2017	\$ 38,235,000	\$ 58,440,000	\$ 96,675,000
Additions	-	-	-
Maturities/Refinancing	(3,450,000)	(4,725,000)	(8,175,000)
Balance December 31, 2017	\$ 34,785,000	\$ 53,715,000	\$ 88,500,000
Due Within One Year	\$ 3,580,000	\$ 4,915,000	\$ 8,495,000

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

	2018	2017
2012 Series, Refunding Bonds, interest rates between 3.0% and 5.0%, due in annual principal debt service requirements ranging from \$465,000 to \$10,270,000, final payment due July 2027.	\$ 31,205,000	\$ 34,785,000
2014 Series, Refunding Bonds, interest rates between 2.0% and 5.0%, due in annual principal debt service requirements ranging from \$1,975,000 to \$7,910,000, final payment due July 2025.	48,800,000	53,715,000
	80,005,000	88,500,000
Plus Unamortized Net Premium	8,788,418	10,002,134
Less Current Maturities	(9,800,000)	(8,495,000)
Long-Term Debt Less Current Maturities	\$ 78,993,418	\$ 90,007,134

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

The Authority was in compliance with its bond covenants as of December 31, 2018 and 2017.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Bonds (Continued)

The annual requirements to amortize all bonds as of December 31, 2018, were as follows:

	2012 Bond Series		2014 Bond Series		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 2,340,000	\$ 1,525,100	\$ 7,460,000	\$ 2,264,750	\$ 9,800,000	\$ 3,789,850	\$ 13,589,850
2020	2,470,000	1,408,100	7,775,000	1,951,000	10,245,000	3,359,100	13,604,100
2021	1,595,000	1,284,600	5,640,000	1,562,250	7,235,000	2,846,850	10,081,850
2022	1,680,000	1,204,850	5,915,000	1,280,250	7,595,000	2,485,100	10,080,100
2023	1,770,000	1,120,850	6,210,000	984,500	7,980,000	2,105,350	10,085,350
2024-2027	21,350,000	3,531,750	15,800,000	1,010,700	37,150,000	4,542,450	41,692,450
Total	\$ 31,205,000	\$ 10,075,250	\$ 48,800,000	\$ 9,053,450	\$ 80,005,000	\$ 19,128,700	\$ 99,133,700

Note 7. Unearned Revenue

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

	2018	2017
Customer Prepayments	\$ 4,896,606	\$ 4,443,479
Less Current Portion	<u>3,960,387</u>	<u>3,468,161</u>
Long-Term Portion	\$ 936,219	\$ 975,318

Note 8. Taxes

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

	2018		2017	
	Receivables	Revenue	Receivables	Revenue
3% Hotel Occupancy Tax	\$ 5,573,089	\$ 37,210,947	\$ 5,737,263	\$ 34,658,588
State Economic Development Hotel Occupancy/Food and Beverage Tax	2,000,000	2,000,000	2,000,000	2,000,000
Service Contractors and Tour Tax	3,584,551	22,020,190	3,491,037	20,492,105
RTA Tax	450,225	2,652,035	665,906	2,897,109
Collection Fees	1,549,798	3,120,882	3,009,614	3,215,144
	-	(1,015,701)	-	(971,239)
Total	\$ 13,157,663	\$ 65,988,353	\$ 14,903,820	\$ 62,291,707

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 9. Food and Beverage Revenue

Under the contractual agreement with the vendor allowed to operate with the Convention Center, the Authority receives various food and beverage revenue. For the years ended December 31, 2018 and 2017, the Authority earned \$9,561,231 and \$7,992,572, respectively, in food and beverage revenue.

Note 10. Cooperative Endeavor Agreements

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

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

In October 2016, a cooperative endeavor agreement was made between the Authority and the City of New Orleans in order to redevelop Convention Center Boulevard and Spanish Plaza. During 2017, under the terms of the agreement, the Authority deposited \$12,500,000 into an escrow account to fund traffic relocation and offsite improvements to Convention Center Boulevard and \$7,500,000 into an escrow account for improvements at Spanish Plaza in conjunction with the City's master plan to turbocharge the riverfront for the tri-centennial of New Orleans.

In addition, the Authority will remit up to \$2,900,000 to the City to satisfy a prior CEA with the City and contribute \$150,000 toward the City's master downtown traffic study. As of December 31, 2018, the Authority has paid \$1,923,781 of the \$2,900,000 to the City of New Orleans.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 10. Cooperative Endeavor Agreements (Continued)

In December 2016, the Authority entered into a cooperative endeavor agreement with the New Orleans Culinary and Hospitality Institute (NOCHI) for the acquisition of immovable property to facilitate the education and training of employees for the local hospitality industry and to provide additional available space for the Authority. On January 31, 2017, the Authority purchased, from NOCHI, the Louisiana ArtWorks building located at 725 Howard Avenue, New Orleans, for \$12,033,953. As part of the agreement, NOCHI entered into a 40-year lease of the building with the Authority. Under the terms of the agreement, \$4,000,000 of the purchase price was deposited into an escrow account for payment of leasehold improvements and repairs and maintenance to the property as required under the lease.

In March 2017, the Authority entered into a cooperative endeavor agreement with the City of New Orleans to enhance public safety for residents, employees, and visitors. The Authority will contribute \$23,000,000 toward the city-wide public safety improvement plan. Under the terms of the agreement, the Authority has made payments of \$13,437,663 to reimburse the City for amounts expended toward the project. In April 2018, the duration of the CEA was extended through December 2018. In February 2019, the Board approved to extend the CEA. The Authority is currently negotiating with the City of New Orleans on the terms of the extension.

In June 2017, the Authority entered into a cooperative endeavor agreement with New Orleans & Company to enhance international travel to New Orleans in conjunction with the commencement of British Airways operating nonstop flights from New Orleans to London in March 2017. Under the terms of the agreement, the Authority agrees to reimburse New Orleans & Company up to a maximum of \$2,250,000 over a period of three years.

In November 2017, the Authority entered into a cooperative endeavor agreement with New Orleans & Company, the Board of Commissioners for the Port of New Orleans, and the Audubon Commission for cooperative funding for the development of the Governor Nicholls and Esplanade wharves and riparian land. Under the terms of the agreement, the Authority has committed to contribute \$9,000,000.

In December 2017, a cooperative endeavor agreement was made between the Authority, the City of New Orleans, and the Downtown Development District to accomplish the public purpose of enhancing public services available to the homeless population of New Orleans by collaborating in the design, remodeling, and operation of a low barrier shelter for local homeless people. Under the terms of the agreement, the Authority agrees to provide an annual sum of \$250,000 over the five-year term of the agreement, to fund the operation of the shelter.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 11. Commitments and Contingencies

Self Insurance

For 2018 and 2017, the Authority is self-insured for medical claims up to \$125,000 per participant. In 2018 and 2017, the aggregate for claims liability was \$5,073,552 and \$4,882,510, 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
2017	\$ 219,369	\$ 2,600,655	\$ (2,600,655)	\$ 219,369
2018	\$ 219,369	\$ 2,622,650	\$ (2,622,650)	\$ 219,369

Contingencies

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

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

Note 12. Pension Plans

The Authority has a defined contribution 401(a) plan and a defined contribution 457(b) plan. The Authority makes contributions to the 401(a) plan and employees make contributions to the 457(b) plan. Full-time employees are eligible for the plans following 30 days of employment. Employee contributions to the 457(b) plan totaled \$1,020,023 and \$961,932, for the years ended December 31, 2018 and 2017, respectively. The Authority contributes 2% of covered employees' annual salaries to the 401(a) plan. In addition, the Authority contributes to the 401(a) plan a 50% match, up to 8% of the employees' contributions to the 457(b) plan. The Authority's contributions to the 401(a) plan totaled \$877,694 and \$881,747, for the years ended December 31, 2018 and 2017, respectively.

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Notes to Financial Statements

Note 13. Recently Issued Accounting Standards

In June 2017, the GASB issued Statement No. 87. The objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Authority's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In March 2018, the GASB issued Statement No. 88. The objective of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, is to improve consistency in information that is disclosed in notes to government financial statements related to debt and to provide financial statement users with additional essential information about debt. Management is still evaluating the potential impact of adoption on the Authority's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89. The objective of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is to establish accounting requirements for interest cost incurred before the end of a construction period. Management is still evaluating the potential impact of adoption on the Authority's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

OTHER SUPPLEMENTARY INFORMATION

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2018

Agency Head Name: Michael J. Sawaya (hired February 2018)

Purpose	Amount
Salary	\$ 270,491
Benefits - Insurance	\$ 23,166
Benefits - Retirement	\$ 5,129
Benefits - Vision, Dental, LTD, LTC, Life	\$ 2,783
Car Allowance	\$ 8,631
Travel	\$ 5,523
Registration Fees	\$ 1,075
Housing and Relocation	\$ 33,769
Other (Meals, Entertainment, Parking)	\$ 5,571
Cell Phone	\$ 750

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, 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, the basic financial statements of Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) which comprise the statement of net position as of December 31, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

A Professional Accounting Corporation

Metairie, LA
March 19, 2019

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Part II - Financial Statement Findings

None

AGREED-UPON PROCEDURES REPORT

Ernest N. Morial New Orleans
Exhibition Hall Authority

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2018 - December 31, 2018

To the Board of Commissioners
Ernest N. Morial New Orleans Exhibition Hall Authority and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2018 through December 31, 2018. The Authority's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The Authority provided written policies and procedures for all of the financial/business functions listed above. All of the elements listed above for the financial/business functions were addressed in the written policies and procedures.

Collections

- 3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: Obtained the listing and management's representation that the listing is complete.

- 4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: Obtained the listing and management's representation that the listing is complete.

For the three locations selected, obtained the supporting documentation and noted that in one location, a two-person system has been established where the cashiers accompany the manager, assistant manager, or supervisor into the cash room where the proceeds and cash bank are sorted, organized, and labelled. Upon completion, each planned cash deposit "drop" is recounted, then handed to the cashier to deposit. In addition, pouches and sometimes an apron function are the only "cash drawers" available to cashiers and these are transferred from cashier to cashier. This keeps the ticket serial numbers in order and exposes less cash outside. All other criteria listed above in a) through d) were satisfied in the other locations selected.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: Management indicated that all employees who have access to cash are covered by a bond or insurance policy for theft.

6. Randomly select two deposit dates for each of the bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: For the items selected, all of the criteria in a) through e) above were satisfied, with the exception of two deposits which were not made within one business day of receipt.

Travel and Expense Reimbursement

8. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: For the 5 reimbursements selected, no exceptions were noted to criteria a) through d).

* * * * *

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Ernest N. Morial New Orleans Exhibition Hall Authority and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
March 14, 2019