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ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

Financial Statements

December 31, 2011 and 2010

With Independent Auditors' Report Thereon

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

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Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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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, 2011 and 2010 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, 2011 and 2010, 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 28, 2012 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 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 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 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 & Netterville

New Orleans, Louisiana
March 28, 2012

P&N

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, 2011 and 2010

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, 2011 and 2010. 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 2011 and 2010, the Center held 113 and 105 events, respectively. The approximate number of attendees totaled 851,000 and 792,000 and the number of room nights approximated 645,000 and 809,900 from the out-of-state attendees 473,000 and 528,900 for the years ended December 31, 2011 and 2010.

The taxes recognized by the Authority generated in 2011 were $40.8 million as compared to $38.2 million of revenues in 2010. User fees totaled $19.1 million in 2011 as compared to $21.7 million in 2010.

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 $7.0 million in 2011, as compared to an increase of $9.5 million in 2010.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets - 2011

The Authority's total net assets at December 31, 2011 reached approximately $436 million as compared to $429 million at the end of 2010 (See Table A-1). Total 2011 assets equaled $636 million, which is similar to total net assets as the end of 2010. Total liabilities decreased to $200 million as compared to $207 million in 2010. Capital assets decreased in 2011 compared to 2010 as a result of depreciation. Current assets from 2010 to 2011 decreased due to cash used for operating activities and invested in capital assets. Restricted assets from 2010 to 2011 increased due to the excess of taxes received after debt payments.

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-2). Total 2010 assets increased to $636 million, and total liabilities decreased to $207 million as compared to $632 and $212 million, respectively, in 2009.

Table A-1
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Net Assets (in thousands of dollars)
December 31, 2011 and 2010

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

Table A-2
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Net Assets (in thousands of dollars)
December 31, 2010 and 2009

	2010	2009
Current assets	$ 214,319	$ 110,868
Restricted assets	46,486	139,301
Deferred charges	1,670	1,956
Capital assets	373,680	379,636
Total assets	$ 636,155	$ 631,761
Current liabilities	$ 20,466	$ 18,400
Long-term liabilities	186,609	193,780
Total liabilities	207,075	212,180
Net assets:		
Invested in capital assets, net of related debt	180,723	179,790
Restricted	42,117	65,190
Unrestricted	206,240	174,601
Total net assets	429,080	419,581
Total liabilities and net assets	$ 636,155	$ 631,761

Changes in Net Assets- 2011

The change in net assets was an increase of $7.0 million for the year ended December 31, 2011 (Table A-3). The Authority's operating revenues were comprised primarily of user fees. Operating revenues were $23.6 million in 2011 as compared to $27.9 million in 2010. The Authority's 2011 operating revenues were comprised primarily of user fees of $19.1 million and food and beverage revenue of $3.8 million, as compared to user fees of $22.0 million and food and beverage revenue of $5.9 million in 2010. The reason for the decline in 2011 revenue is due to variance in the type of events held in 2011 compared to 2010 as well as the impact of a decline in short-term bookings in 2011 as compared to 2010. Operating expenses were similar in 2011 as compared to 2010. Operating expenses, including depreciation, in 2011 totaled $49.9 million as compared to approximately $49.7 million in 2010. Table A-4 summarizes the Authority's operating expenses by function. In both 2011 and 2010, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. Dedicated taxes totaled $40.8 million in 2011 as compared to $38.2 million in 2010. Investment income and interest expense totaled $2.2 million and $9.4 million and $2.3 million and $9.2 million, respectively, in 2011 and 2010. During 2011, no interest income or expense was capitalized.

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-5). The Authority's operating revenues were comprised primarily of user fees. 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 fees of $22.0 million and $5.9 million of food and beverage revenue. Operating expenses, including depreciation, in 2010 totaled $49.7 million 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. 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 $2.2 million and $10.0 million, respectively, in 2010 and 2009. During 2010, 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, 2011 and 2010

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

Table A-4
Ernest N. Morial New Orleans Exhibition Hall Authority
Operating Expenses (in thousands of dollars)
Years ended December 31, 2011 and 2010

	2011	2010
General and administrative	$ 7,942	$ 8,467
Sales and marketing	2,107	2,185
Event services	803	943
Food Services	290	-
Building operations	14,898	15,498
Public safety	3,315	3,118
Production services	1,422	1,435
Technology services	2,347	2,057
The UPS Store	336	125
Depreciation	14,485	14,457
Buildings improvements, not capitalized	1,963	1,373
Total operating expenses	$ 49,908	$ 49,658

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, 2010 and 2009

	2010	2009
Operating Revenues:		
User fees and other revenues	$ 22,033	$ 21,107
Food and beverage	5,895	3,711
Total operating revenues	27,928	24,818
Operating Expenses:		
Operating expenses	35,201	37,587
Depreciation	14,457	15,258
Total operating expenses	49,658	52,845
Operating loss	(21,730)	(28,027)
Non-operating revenues-net	31,229	25,842
Change in net assets	9,499	(2,185)
Net assets, beginning of the year	419,581	421,766
Net assets, end of the year	$ 429,080	$ 419,581

Table A-6
Ernest N. Morial New Orleans Exhibition Hall Authority
Operating Expenses (in thousands of dollars)
Years ended December 31, 2010 and 2009

	2010	2009
General and administrative	$ 8,467	$ 9,381
Sales and marketing	2,185	1,739
Event services	943	1,197
Building operations	15,498	13,701
Public safety	3,118	2,581
Production services	1,435	1,650
Technology services	2,057	2,132
The UPS Store	125	-
Depreciation	14,457	15,258
Buildings improvements, not capitalized	1,373	5,206
Total operating expenses	$ 49,658	$ 52,845

Cash Flows - 2011

The change in cash and cash equivalents, as reflected in Table A-7, from 2011 to 2010 was a result of an increase in cash used for operating activities. The increase in noncapital financing activities in 2011, as compared to 2010, was a result of an increase of cash received from tax revenues. The change in capital and financing activities is due to a reduction in interest expense and an increase in the purchase and/or construction of capital assets. Investment activities had a use of cash in 2011 reflecting current year purchases of investments, and included a reduction of investment income received.

Cash Flows - 2010

The change in cash and cash equivalents, as reflected in Table A-8, 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.

Table A-7
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Cash Flows
(in thousands of dollars)
Years ended December 31, 2011 and 2010

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

Table A-8
Ernest N. Morial New Orleans Exhibition Hall Authority
Statements of Cash Flows
(in thousands of dollars)
Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from:		
Operations	$ (5,678)	$ (14,196)
Noncapital financing	37,608	32,358
Capital and related financing activities	(24,485)	(21,811)
Investing activities	(9,219)	(12,026)
Net decrease in cash and cash equivalents	$ (1,774)	$ (15,675)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets- 2011

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

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

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, 2011 includes improvements in the Great Hall, improvements to existing structure and building improvements related to the Phase IV expansion.

Debt Administration- 2011 and 2010

The Authority continued to make its regularly scheduled payments on its bonds. In 2011, payments on the GoZone note payable will also begin in January 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary purpose of a convention center is to attract attendees to conventions and tradeshows so that they will spend dollars in local facilities such as hotels, restaurants, tourist attractions, retail stores, etc. This spending results in increased tax collections for the state and local governments. The New Orleans Ernest N. Morial Convention Center is one of the greatest economic assets of the City of New Orleans and the State of Louisiana. In 2011, the Center hosted 113 major conventions and trade shows, attracted approximately 473,000 out of state attendees and produced 645,000 room nights. The economic impact has not yet been completed for 2011. In 2010, the Center hosted 105 major conventions and trade shows, attracted approximately 528,900 out-of-state attendees and produced approximately 809,900 room nights. The estimated total economic impact in 2010 was $1.80 billion. This spending produced $148.69 million in tax revenue for the State of Louisiana and local governments. In 2010, the Center supported 25,609 local jobs creating approximately $500 million in income for local area residents. The Authority is scheduled to have approximately 100 events in 2012. Approximately $50 million on construction projects will also occur in 2012. These projects include the construction of a 60,000-square-foot ballroom, "The Great Hall". Also, the Julia Street entrance to the Great Hall will be transformed into a sunny, windowed entry plaza. The project also includes a new 4,660-square-foot junior ballroom with a rooftop terrace, and a 5,700-square-foot executive lounge.

Several contracts related to these projects have been awarded. The Authority will be using restricted assets related to capital improvements and future projects to fund these projects.

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, 2011 AND 2010

ASSETS	2011	2010
Current assets:		
Cash	$ 43,471,411	$ 132,251,258
Investments	125,361,771	79,820,831
Accounts receivable, net	1,336,644	1,645,873
Interest receivable	202,379	107,007
Prepaid expenses and other assets	865,416	493,596
Total current assets	171,237,621	214,318,565
Restricted assets:		
Cash, designated for construction	48,771,063	-
Cash, restricted primarily for construction	5,367,029	5,327,400
Investments, restricted primarily for debt service	30,924,509	31,908,130
Interest receivable	540,452	567,448
Taxes receivable	8,802,065	8,683,189
Total restricted assets	94,405,118	46,486,167
Deferred charges - bond issue costs	1,472,253	1,670,120
Property, buildings and equipment, net	368,917,819	373,680,067
Total assets	$ 636,032,811	$ 636,154,919
LIABILITIES AND NET ASSETS		
Current liabilities (payable from current assets):		
Accounts payable	3,148,970	5,384,856
Contracts and retention payable	2,300,412	441,779
Deferred revenue	2,128,279	2,405,151
Compensated absences, current portion	398,489	385,392
Total unrestricted current liabilities	7,976,150	8,617,178
Current liabilities (payable from restricted assets):		
Other liabilities	154,905	137,106
Current portion of accrued bond interest	4,623,772	4,231,911
Current portion of bonds and note payable	9,206,676	7,480,000
Total restricted current liabilities	13,985,353	11,849,017
Total current liabilities	21,961,503	20,466,195
Long-term liabilities:		
Compensated absences, less current portion	430,237	398,899
Bonds and note payable, less current portion, net	176,582,988	185,476,632
Deferred revenue, less current portion	945,934	732,898
Total long-term liabilities	177,959,159	186,608,429
Total liabilities	199,920,662	207,074,624
Net assets:		
Invested in capital assets, net of related debt	183,128,155	180,723,436
Restricted primarily for debt service and construction	40,855,378	42,117,150
Unrestricted	212,128,616	206,239,709
Total net assets	436,112,149	429,080,295
Total liabilities and net assets	$ 636,032,811	$ 636,154,919

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, 2011 AND 2010

	2011	2010
Operating revenues:		
User fees	$ 19,147,435	$ 21,684,903
Food and beverage	3,839,319	5,895,135
The UPS Store	352,853	6,553
Rentals	190,518	173,094
Miscellaneous	71,699	168,144
Total operating revenues	23,601,824	27,927,829
Operating expenses:		
General and administrative	7,941,891	8,466,596
Sales and marketing	2,106,887	2,184,959
Event services	802,482	943,251
Food services	290,174	-
Building operations	14,897,899	15,498,084
Building improvements, not capitalized	1,963,334	1,372,921
Public safety	3,315,141	3,117,474
Production services	1,422,421	1,434,632
Technology services	2,347,112	2,057,352
Depreciation	14,485,556	14,457,499
The UPS Store	335,509	125,191
Total operating expenses	49,908,406	49,657,959
Loss from operations	(26,306,582)	(21,730,130)
Non-operating revenues (expenses):		
Tax revenues (note 7)	40,843,585	38,208,085
Investment income	2,180,855	2,265,542
Interest expense	(9,366,585)	(9,244,244)
Grant adjustment	(319,419)	-
Income from non-operating revenues (expenses)	33,338,436	31,229,383
Increase in net assets	7,031,854	9,499,253
Net assets:		
Balance, beginning of year	429,080,295	419,581,042
Balance, end of year	$ 436,112,149	$ 429,080,295

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, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Cash received from user fees	$ 19,392,829	$ 20,439,979
Cash received from other sources	4,454,387	7,159,887
Cash paid to employees and for related expenses	(18,224,409)	(16,823,083)
Cash paid to suppliers	(19,493,451)	(16,454,346)
Net cash used in operating activities	(13,870,644)	(5,677,563)
Cash flows from noncapital financing activities:		
Cash received from taxes	40,724,710	37,537,116
Cash received from grant revenues	-	70,507
Net cash provided by noncapital financing activities	40,724,710	37,607,623
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,434,556)	(8,543,579)
Interest paid	(8,463,825)	(8,811,365)
Repayment of bonds	(7,480,000)	(7,130,000)
Net cash used in capital and related financing activities	(24,378,381)	(24,484,944)
Cash flows from investing activities:		
Purchases of investment securities	(111,927,999)	(57,937,244)
Investment sales and maturities	67,370,680	46,440,157
Interest payments received	2,112,479	2,277,660
Net cash used in investing activities	(42,444,840)	(9,219,427)
Net decrease in cash and cash equivalents	(39,969,155)	(1,774,311)
Cash and cash equivalents at beginning of year	137,578,658	139,352,969
Cash and cash equivalents at end of year	$ 97,609,503	$ 137,578,658
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	$ (26,306,582)	$ (21,730,130)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	14,485,556	14,457,499
Retirement of fixed assets	569,878	23,394
(Increase) decrease:		
Accounts receivable	326,063	(456,565)
Prepaid and other assets	(371,820)	131,796
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,493,069)	1,829,986
Deferred revenue	(80,669)	66,457
Net cash used in operating activities	$ (13,870,643)	$ (5,677,563)

See accompanying notes to these financial statements.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(c) Designated and Restricted Assets

Certain assets, consisting of cash, investments and receivables, are segregated and classified as restricted assets, 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. We do not have such funds as of December 31, 2011 and/or 2010.

- Rouse Lease Clearing and Venture Lease Escrows, which include rental income received by the Authority on behalf of and remitted to the City of New Orleans for property owned by the City. In addition to the amounts collected on behalf of the City of New Orleans, the Authority also collects certain funds related to a third-party cell site. The amounts payable are included in other liabilities in the balance sheet.

Designated assets are held as follows:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Investments*

Investments consist of time deposits, money market mutual funds, certificates of deposits, U.S. Treasury obligations, U.S. government agency securities, and repurchase agreements and are stated at fair value. Fair value is based on quoted market prices, as applicable; if quoted prices are not available, fair value is estimated based on similar securities.

(e) *Property, Buildings and Equipment*

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

Buildings	40 years
Building improvements	20 years
Equipment, furniture and fixtures	5-12 years

The Authority capitalizes moveable equipment with a value of $5,000 or greater and most electronic equipment of $500 or greater. The Authority capitalizes building improvements greater than $50,000. The cost of additions includes contracted work, direct labor, materials and allocable cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

(f) *Taxes*

The Authority receives dedicated taxes as follows:

Hotel Occupancy Tax

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hotel Occupancy Tax (continued)

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

Hotel Occupancy/Food and Beverage Tax

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

Pursuant to Act 390 of the regular session of the Legislature of Louisiana for 1987, the Authority is empowered to levy and collect a Hotel Occupancy Tax (the "1988 Hotel Occupancy Tax") and a Food and Beverage Tax (collectively referred to as the "Tax"), to secure bonds to be issued to finance a portion of the costs of the Convention Center expansion. The 1988 Hotel Occupancy Tax is separate and distinct from the 1978 Hotel Occupancy Tax levied by the Authority and pledged to secure the Series 1983 Bonds (refinanced by the 1996 Series). 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food and Beverage Tax

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

Effective July 1, 2002, an additional ¼ 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RTA Tax

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

State of Louisiana, Department of State Economic Development

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

(g) Capital Contributions

Contributions from State appropriations are made available to the Authority for capital improvements and are recognized when the expenses have been incurred and approval of the appropriation has been received. These appropriations are included in capital contributions in the statement of revenue, expenses and changes in net 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, 2011 and 2010 was $828,726 and $784,291, respectively, of which $430,237 and $398,899 is the long-term portion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an maturity of three months or less at time of purchase.

(j) Bond Issuance Costs and Refundings

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

(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) Revenues and Deferred Revenue

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

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2011 and 2010, respectively:

		2011		2010
Cash and cash equivalents				
Unrestricted	$	43,471,411	$	132,251,258
Designated for construction		48,771,063		-
Restricted primarily for debt service and construction		5,367,029		5,327,400
Total cash and cash equivalents	$	97,609,503	$	137,578,658
Investments				
Unrestricted	$	125,361,771	$	79,820,831
Restricted primarily for debt service		30,924,509		31,908,130
Total investments	$	156,286,280	$	111,728,961

Actual cash in banks as of December 31, 2011 and 2010, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $99,623,858 and $127,952,500, respectively. Of the total bank balances at December 31, 2011 and 2010, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. As of December 31, 2011 and 2010, 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.

Amounts previously presented for restricted assets as well as net assets for 2010 have been restated to consider legal restrictions based on the guidance of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

2. CASH AND INVESTMENTS (continued)

The Authority has $19 million 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 are supported by collateral requirements varying from 104% to 105% of the account balance.

Collateral is held in the name of the trustees of the bond issue for the benefit of the Authority and consists of U.S. government and agency securities. Custodians are independent of the counterparties to the agreements. Under the terms of the repurchase agreements, the trustees may make deposits and withdrawals for these accounts in accordance with certain terms of the trust indenture agreements. The investments are subject to custodial risk upon default of the custodian. The Authority's investments in repurchase agreements were as follows as of December 31, 2011 and 2010:

Bond Issue	Interest Rate	Termination Date		Amount
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			$	19,296,066

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:

		2011	2010
Customers	$	1,421,428	1,395,249
Other		195,585	530,493
		1,617,013	1,925,742
Less allowance for uncollectible amounts		(280,369)	(279,869)
	$	1,336,644	1,645,873

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

4. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of changes in fixed assets follows:

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

	January 1, 2010	Additions	Deletions	December 31, 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
	567,022,255	10,118,764	(1,679,480)	575,461,539
Accumulated depreciation and amortization	187,386,117	14,457,499	(62,144)	201,781,472
	$ 379,636,138			$ 373,680,067

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

5. LONG-TERM OBLIGATIONS

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2011 and 2010:

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

		January 1, 2010	Additions	Deletions	December 31, 2010	Due Within One Year	Over One Year
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
	$	203,624,668	88,891	(7,130,000)	196,583,559	7,865,392	188,718,167

Bonds Payable

Long-term debt activity for the years ended December 31, 2011 and 2010 is as follows:

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

5. LONG-TERM OBLIGATIONS (continued)

	January 1, 2010	Additions	Deletions	December 31, 2010
Series				
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
	$ 174,645,000	-	(7,130,000)	167,515,000

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

	2011	2010
1996A Series, Special Tax Bonds, interest rate of 5.25%, final payment due July 2011	$ -	4,915,000
1996C Series, Special Tax Bonds, interest rates between 5.3% and 5.4%, due in annual principal debt service requirements ranging from $1,585,000 to $2,825,000, final payment due July 2025; partially refunded by 2004 Series	24,725,000	24,900,000
1998 Series, Special Tax Bonds, interest rate of and 5.0%, interest payable semi-annually, remaining principal payments of $10,975,000 and $11,525,000, due in July 2026 and July 2027, respectively	22,500,000	22,500,000
2000 Series, Special Tax Bonds, interest rates between 5.0% and 5.25%, due in annual principal debt service requirements ranging from $1,935,000 to $2,970,000, final payment due July 2020	21,735,000	23,575,000
2004 Series, Refunding Bonds, interest rates between 3.5% and 5.0%, due in annual principal debt service requirements ranging from $4,340,000 to $9,165,000, final payment due July 2025	91,075,000	91,625,000
	160,035,000	167,515,000
Plus unamortized net discount and deferred loss on bond refunding	(2,529,604)	(2,842,636)
Less current maturities	(7,860,000)	(7,480,000)
Long-term debt less current maturities	$ 149,645,396	157,192,364

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, 2011 is $272,125,000.

The annual requirements to amortize all bonds and note as of December 31, 2011, were as follows:

	Bond Series					Total Bonds
Principal	1996C	1998	2000	2004	Go Zone	Payable
2012	$ 1,585,000	$ -	$ 1,935,000	$ 4,340,000	$ 1,346,676	$ 9,206,676
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	1,955,000	-	2,390,000	5,195,000	1,614,560	11,154,560
2017-2021	6,775,000	-	10,960,000	34,865,000	9,268,518	61,868,518
2022-2026	9,125,000	10,975,000	-	32,520,000	11,627,839	64,247,839
2027	-	11,525,000	-	-	-	11,525,000
Total	24,725,000	22,500,000	21,735,000	91,075,000	28,284,268	188,319,268

	Bond Series					Total Interest
Interest	1996C	1998	2000	2004	Go Zone	Payable
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	4,324,250	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	993,672	1,125,000	700,875	3,616,500	1,044,506	7,480,553
2017-2021	3,615,925	5,625,000	1,477,875	13,566,000	4,026,813	28,311,613
2022-2026	1,189,720	5,625,000	-	4,223,500	1,667,493	12,705,713
2027	-	576,125	-	-	-	576,125
	10,731,602	17,451,125	6,082,570	38,170,150	11,601,725	84,037,172
Total						

	Bond Series					Total
Total	1996C	1998	2000	2004	Go Zone	Payable
2012	2,949,925	1,125,000	3,061,805	8,816,150	2,659,066	18,611,946
2013	2,950,920	1,125,000	3,065,055	8,814,250	2,659,067	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	2,948,672	1,125,000	3,090,875	8,811,500	2,659,066	18,635,113
2017-2021	10,390,925	5,625,000	12,437,875	48,431,000	13,295,331	90,180,131
2022-2026	10,314,720	16,600,000	-	36,743,500	13,295,332	76,953,552
2027	-	12,101,125	-	-	-	12,101,125
	$ 35,456,602	$ 39,951,125	$ 27,817,570	$ 129,245,150	$ 39,885,994	$ 272,356,440

The Authority is in compliance with its bond covenants as of December 31, 2011 and 2010.

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 was payable during the initial five year period of the note. After the expiration of the initial five year period, the note bears an interest at a fixed rate of 4.64%. Interest is payable semi annually beginning January 15, 2012. Principal payments on the note begin in July 2012. The note is expected to be paid in full by in July 2026. 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 $828,726 and $784,291 as of December 31, 2011 and December 31, 2010, respectively. The estimated long-term portion as of December 31, 2011 and 2010 is based on historical data and totaled $430,237 and $398,899, respectively. The short-term portion as of 2011 and 2010 was $398,489 and $385,392, respectively.

6. DEFERRED REVENUE

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

	2011	2010
Customer prepayments	$ 3,074,213	$ 3,138,049
Less current portion	2,128,279	2,405,151
Long term portion	$ 945,934	$ 732,898

7. TAXES

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

	2011		2010	
	Receivables	Revenue	Receivables	Revenue
3% Hotel Occupancy Tax	$ 3,682,860	$ 22,878,450	$ 3,609,076	$ 21,284,037
State Economic Development	2,000,000	2,000,000	2,000,000	2,000,000
Hotel Occupancy Food Beverage Tax	2,260,362	13,518,081	2,188,890	12,554,773
Service Contractors and Tour Tax	183,941	1,487,880	351,168	1,718,018
RTA Tax	674,902	1,655,955	534,055	1,321,561
Collection Fee	-	(696,781)	-	(670,304)
	$ 8,802,065	$ 40,843,585	$ 8,683,189	$ 38,208,085

8. FOOD AND BEVERAGE REVENUE

Under the contractual agreements with vendors allowed to operate with the Convention Center, the Authority receives various food and beverage revenue. For the years ended December 31, 2011 and 2010, the Authority earned $3,839,319 and $5,895,135, respectively, in food and beverage revenue.

9. COMMITMENTS AND CONTINGENCIES

(a) Self-insurance

For 2011 and 2010, the Authority is self-insured for medical claims up to $80,000 per participant. In 2011 and 2010, the aggregate for claims liability was $2,190,187 and $2,284,055, 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
2010	$ 250,106	1,467,359	(1,425,487)	291,978
2011	$ 291,978	1,497,412	(1,532,159)	257,231

9. COMMITMENTS AND CONTINGENCIES (continued)

b) Construction Commitments

Currently, the Authority has committed to approximately $40 million of construction contracts. These contracts relate to the construction of a 60,000-square-foot ballroom in the Great Hall, which includes transforming the Julia Street entrance into a plaza and adding a new 4,660-square-foot junior ballroom with a rooftop terrace, and a 5,700-square-foot lounge.

c) 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.

10. SUBSEQUENT EVENTS

On March 28, 2012, the Authority approved a cooperative endeavor agreement (CEA) with the City of New Orleans to be executed in 2012. The Authority and the City will work to improve a designated area identified as the "hospitality zone" that will enhance the tourists' experience and create economic development. The Authority will provide the City with $30 million to perform all services in connection with the design, development and construction of the projects. In addition, the Authority has been made aware that the State of Louisiana in its proposed 2012 budget has requested the Authority give the State $20 million of its unrestricted net assets and cash to fund the medical assistance trust fund. This budget is under review by the State of Louisiana Legislature and is not yet finalized.

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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, 2011, and have issued our report thereon dated March 28, 2012. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.*

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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.

Postlethwaite & Netterville

New Orleans, Louisiana
March 28, 2012

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