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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Financial Statements and Schedule

September 30, 2003 and 2002

With Independent Auditors' Report Thereon

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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

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Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

The Board of Commissioners
New Orleans City Park Improvement Association:

We have audited the statements of net assets of New Orleans City Park Improvement Association (the Park) as of September 30, 2003 and 2002, and the related statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Park'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 New Orleans City Park Improvement Association as of September 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2004 on our consideration of the New Orleans City Park Improvement Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules of Operating Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
March 2, 2004

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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Management's Discussion and Analysis

September 30, 2003 and 2002

This section of the New Orleans City Park Improvement Association (the Park) financial report presents a discussion and analysis of the Park's financial performance during the fiscal year that ended September 30, 2003 and 2002. Please read it in conjunction with the Park's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

<u>2003 Highlights</u>

The Park's net assets represent approximately 80% of total assets of approximately $15 million in 2003. In 2002, the Park's net assets approximated 75% of total assets of approximately $13 million.

The Park's increase in net assets was approximately $2.3 million for the year ended September 30, 2003 as compared to approximately $249,000 for the year ended September 31, 2002. In addition, the Park's cash (used in) operating activities was approximately ($367,000) in 2003 as compared to cash from operating activities of approximately $738,000 in 2002.

<u>2002 Highlights</u>

The Park's net assets represent approximately 75% of total assets of approximately $13 million in 2002. In 2001, the Park's net assets approximated 72% of total assets of approximately $13 million.

The Park's increase in net assets was approximately $250,000 for the year ended September 30, 2002 as compared to a decrease in net assets of $700,000 in 2001. In addition, the Park's cash from operating activities was $738,000 in 2002 as compared to $14,000 in 2001.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about the Park'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 statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Park'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 governmental 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 Changes in Net Assets. All assets and liabilities associated with the operation of the Park are included in the Statements of Net Assets.

The Statements of Net Assets reports the Park's net assets. Net assets, the difference between the Park's assets and liabilities, are one way to measure the Park's financial health or position. The increase in the

Park's net assets during 2003 and 2002 is an indicator of its positive financial health. However, the negative cash flows from operating activities in 2003 indicates the Park's declining results from operating activities.

FINANCIAL ANALYSIS OF THE PARK – 2003

Net Assets

The Park's total net assets at September 30, 2003 reached approximately $12 million, a 24% increase over September 30, 2002 (See Table A-1). Total assets increase 15% to approximately $15 million, and total liabilities decreased 6% to approximately $3 million. The increase in net assets is mainly attributable to the acquisition of the conservatory at the fair market value at time of donation of approximately $2.8 million.

TABLE A-1
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Statements of Net Assets
September 30, 2003 and 2002

Assets	2003	2002	Increase (Decrease)
Current assets	$ 1,074,656	$ 1,209,308	$ (134,652)
Investments	634,554	602,326	32,228
Capital assets	13,352,623	11,154,447	2,198,176
Total assets	$ 15,061,833	$ 12,966,081	$2,095,752
Current liabilities	1,939,150	1,919,241	19,909
Capital leases payable	30,560	75,313	(44,753)
Insurance payable	1,085,824	1,230,600	(144,776)
Total liabilities	3,055,534	3,225,154	(169,620)
Net assets:			
Invested in capital assets, net	13,236,943	10,961,339	2,275,604
Restricted	185,221	373,659	(188,438)
Unrestricted	(1,415,865)	(1,594,071)	178,206
Total net assets	12,006,299	9,740,927	2,265,372
	$ 15,061,833	$ 12,966,081	$2,095,752

Total current assets decreased due to the sale of investments and their use in operations. Capital assets increased due to the acquisition of the conservatory with a fair market value at time of donation of approximately $2.8 million. This increase was offset by the continued depreciation of the capital assets.

Total liabilities decreased due to the payoff of leased assets and the continued payments of the long-term insurance payable.

Net assets grew by approximately $2.3 million as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

Changes in Net Assets

The change in net assets for the year ended September 30, 2003 was approximately $2.3 million as compared to a change in net assets of approximately $249,000 for the year ended September 30, 2002. The Park's total operating revenues decreased by 1.2% to approximately $10.57 million, and total operating expenses increased 6.9% to approximately $11.7 million. The changes in net assets are detailed in Table A-2, operating expenses are detailed in Table A-3.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Management's Discussion and Analysis, Continued

September 30, 2003 and 2002

TABLE A-2
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Statements of Changes in Net Assets
For the years ended September 30, 2003 and 2002

	2003	2002	Increase (Decrease)
Operating Revenues:			
Casino, catering, and restaurant	$ 2,652,684	$ 2,840,143	$ (187,459)
Amusements and other events	2,564,015	2,586,291	(22,276)
Golf operations	3,306,249	3,355,098	(48,849)
Horticulture, grounds and pavilion	944,455	934,831	9,624
Other	1,106,950	991,194	115,756
Total operating revenues	10,574,353	10,707,557	(133,204)
Operating expenses:			
General park	2,588,275	2,414,863	173,412
Casino, catering, and restaurant	2,109,351	2,111,800	(2,449)
Amusements and other events	1,713,600	1,948,494	(234,894)
Golf operations	2,597,936	2,165,757	432,179
Depreciation	1,101,061	958,515	142,546
Other	1,628,268	1,382,878	245,390
Total operating expenses	11,738,491	10,982,307	756,184
Operating loss	(1,164,138)	(274,750)	(889,388)
Nonoperating income:	252,598	360,968	(108,370)
Capital contributions	3,176,912	162,453	3,014,459
Changes in net assets	2,265,372	248,671	2,016,701
Total net assets, beginning of the year	9,740,927	9,492,256	248,671
Total net assets, end of the year	$ 12,006,299	$ 9,740,927	$ 2,265,372

Operating revenues decreased by 1.1% to approximately $10.6 million. This was primarily a result of unfavorable weather conditions during the year which led to less golf play and other outdoor activities.

Operating expenses increased 6.9% to approximately $11.7 million. The increase in operating expenses was primarily the result of transferring the golf operations to Kemper Sports Management, Inc. and incurring a management fee. In addition, other operating expenses increased due to Tad Gormley Stadium hosting a World Cup exhibition women's soccer match and an additional Tulane University football game.

TABLE A-3
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Schedule of Operating Expenses
For the years ended September 30, 2003 and 2002

	2003	2002	Increase (Decrease)
Payroll	$ 4,064,573	$ 4,668,266	$ (603,693)
Cost of goods sold	1,096,294	1,117,777	(21,483)
Contract labor	479,691	958,527	(478,836)
Depreciation	1,101,061	958,515	142,546
Payroll benefits	540,722	572,594	(31,872)
Utilities	379,644	400,389	(20,745)
Repairs and maintenance	179,285	342,881	(163,596)
Insurance	343,471	330,859	12,612
Golf management fee	2,083,692	-	2,083,692
Other	1,470,058	1,632,499	(162,441)
Total operating expenses	$ 11,738,491	$ 10,982,307	$ 756,184

FINANCIAL ANALYSIS OF THE PARK – 2002

Net Assets

The Park's total assets at September 30, 2002 reached approximately $13 million, which was consistent with 2001 (See Table A-4). A significant change in the composition of assets was the increase in cash and investments of approximately $800,000 which was offset by the decline in fixed assets, as a result of depreciation in 2002, by approximately $650,000. The increase in cash and investments reflects proceeds from a mineral rights lease and the cash flow from operating activities.

TABLE A-4
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Statements of Net Assets
September 30, 2002 and 2001

Assets	2002	2001	Variance
Current assets	$ 1,209,308	$ 1,043,709	$ 165,599
Investments	602,326	280,047	322,279
Fixed assets, net	11,154,447	11,796,801	(642,354)
	12,966,081	13,120,557	(154,476)
Liabilities and Net Assets			
Current liabilities	1,919,241	2,133,453	(214,212)
Capital leases payable	75,313	191,861	(116,548)
Insurance payable	1,230,600	1,302,987	(72,387)
Total liabilities	3,225,154	3,628,301	(403,147)
Net assets:			
Invested in capital assets	10,961,339	11,450,875	(489,536)
Restricted	373,659	278,670	94,989
Unrestricted	(1,594,071)	(2,237,289)	643,218
Total net assets	9,740,927	9,492,256	248,671
	$ 12,966,081	$ 13,120,557	$ (154,476)

Total liabilities also changed positively, declining by approximately $400,000 to $3.2 million as of September 30, 2002. This positive decline is a result of decreasing accounts payable and payoff of leased assets.

Net assets grew by approximately $250,000 as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

Changes in Net Assets

The change in net assets for the year ended September 30, 2002 was approximately $250,000 as compared to a negative change in net assets of approximately $700,000 for the year ended September 30, 2001. The Park's total operating revenues increased by 5.2% to approximately $10.7 million. Total operating expenses decreased 5.2% to approximately $11.0 million, which includes approximately $1 million of depreciation expense. The changes in net assets are detailed in Table A-5; operating expenses are detailed in Table A-6.

TABLE A-5
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Statements of Changes in Net Assets
For the years ended September 30, 2002 and 2001

	2002	2001	Variance
Operating revenues:			
Casino, catering, and restaurant revenue	$ 2,840,143	$ 2,967,302	$ (127,159)
Amusements and other events	2,586,291	2,129,609	456,682
Golf operations	3,355,098	3,233,884	121,214
Horticulture, grounds and pavilion	934,831	848,296	86,535
Other	991,194	994,973	(3,779)
Total operating revenues	10,707,557	10,174,064	533,493
Operating expenses:			
General park	2,414,863	2,621,013	(206,150)
Casino, catering, and restaurant expense	2,111,800	2,389,836	(278,036)
Amusements and other events	1,948,494	1,705,421	243,073
Golf operations	2,165,757	2,314,076	(148,319)
Depreciation	958,515	927,807	30,708
Other	1,382,878	1,624,778	(241,900)
Total operating expenses	10,982,307	11,582,931	(600,624)
Net operating loss	(274,750)	(1,408,867)	1,134,117
Nonoperating income (expense)	360,968	367,810	(6,842)
Capital contributions	162,453	344,311	(181,858)
Changes in net assets	248,671	(696,746)	945,417
Net assets at beginning of year	9,492,256	10,189,002	(696,746)
Net assets at end of year	$ 9,740,927	$ 9,492,256	$ 248,671

Operating revenues increased by 5.2% to $10.7 million. This is primarily a result of price increases and better weather conditions. This is also a result of more aggressive promotions and sales efforts designed to increase revenues.

TABLE A-6
NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
Schedule of Operating Expenses
For the years ended September 30, 2002 and 2001

	2002	2001	Variance
Payroll	$ 4,668,266	$ 4,820,922	$ (152,656)
Cost of goods sold	1,117,777	1,288,215	(170,438)
Contract labor	958,527	876,648	81,879
Depreciation	958,515	927,807	30,708
Payroll benefits	572,594	566,090	6,504
Utilities	400,389	498,922	(98,533)
Other	342,881	349,038	(6,157)
Insurance	330,859	550,019	(219,160)
Other	1,632,499	1,705,270	(72,771)
Operating expenses	$ 10,982,307	$ 11,582,931	$ (600,624)

Operating expenses decreased in 2002 primarily as a result of cost controls. As shown in Table A-6, payroll expense decreased by approximately 3%; utility expense declined by approximately 20% (as a result of improved weather and utility cost savings implemented). Insurance declined by approximately 40% as a result of a decrease in rates due to a decrease in major claims after seven years and the negotiations of the State.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset Administration

The Park's investment in capital assets approximated $13.3 million, net of accumulated depreciation. This investment consists principally of buildings and related improvements, golf equipment, other equipment and the conservatory. The Park did not have any significant ongoing construction in progress projects as of the report date.

Debt Administration

The Park's debt consists of capital leases related to equipment. The Park also has a long-term payable to the State of Louisiana (the State) related to the State's insurance premiums. The Park's is required to participate in the State's insurance program for general liability and related coverage.

ECONOMIC FACTORS AND OUTLOOK

In recent years, the Park has experienced substantial operating losses which have resulted in cash flow difficulties. The Park is in a unique situation in that it is governmental entity which obtains virtually all of its support from internal operations and private contributions. Costs to operate the Park have increased at a faster pace than revenues, and as a result, the Park will seek public support to help fund its operations, upgrade and replace its infrastructure, and perform needed maintenance throughout the Park. Obtaining public support will be critical in order to provide a Park which can be enjoyed by the people of the City of New Orleans.

CONTACTING THE PARK'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Park's finances and to demonstrate the Park's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the New Orleans City Park Improvement Association at (504) 482-4888.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Net Assets

September 30, 2003 and 2002

Assets		**2003**		**2002**
Current assets:				
Cash (notes 2 and 4):				
Unrestricted	$	423,959	$	534,214
Restricted		161,221		-
Total cash and cash equivalents (note 2)		585,180		534,214
Investments substantially restricted (note 2)		24,000		373,659
Receivables (less allowance for doubtful accounts):				
Friends of City Park		7,565		3,101
Kemper Sports Management, Inc.		110,685		-
Other		116,989		100,494
Inventories		142,391		150,314
Prepaid expenses and other assets		87,846		47,526
Total current assets		1,074,656		1,209,308
Investments held at the Greater New Orleans Foundation (note 2)		124,903		99,051
Investments with Louisiana Asset Management Pool (note 2)		509,651		503,275
Capital assets, net (note 3)		13,352,623		11,154,447
	$	15,061,833	$	12,966,081
Liabilities and Fund Equity				
Current liabilities:				
Accounts payable - trade	$	692,566	$	573,203
Accrued salaries		140,575		141,513
Deferred income		534,050		593,306
Current portion of capital leases payable (note 6)		85,120		117,795
Current portion of insurance payable (note 4)		144,775		144,775
Accrued vacation leave		237,843		291,898
Funds held for others (note 4)		104,221		56,751
Total current liabilities		1,939,150		1,919,241
Capital leases payable (note 6)		30,560		75,313
Insurance payable (note 4)		1,085,824		1,230,600
Total liabilities		3,055,534		3,225,154
Net assets:				
Invested in capital assets		13,236,943		10,961,339
Restricted		185,221		373,659
Unrestricted		(1,415,865)		(1,594,071)
Total net assets		12,006,299		9,740,927
Commitments (notes 4, 5, and 6)		-		-
	$	15,061,833	$	12,966,081

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Changes in Net Assets

For the years ended September 30, 2003 and 2002

	2003	2002
Operating revenues:		
Amusements and other events	$ 2,564,015	$ 2,586,291
Boating and fishing	12,886	20,871
Casino, catering, and restaurant revenue	2,652,684	2,840,143
Golf operations	3,306,249	3,355,098
Horticulture, grounds and pavilion	944,455	934,831
Quadraplex rentals and concessions	269,251	307,259
Stadium rentals and concessions	590,816	445,752
Tennis fees and shop sales	233,997	217,312
Total operating revenues	10,574,353	10,707,557
Operating expenses:		
Amusements and other events	1,713,600	1,948,494
Boating and fishing	5,247	34,953
Casino, catering, and restaurant expense	2,109,351	2,111,800
Depreciation	1,101,061	958,515
General park	2,588,275	2,414,863
Golf operations	2,597,936	2,165,757
Horticulture and grounds	552,743	490,244
Quadraplex	238,245	231,747
Stadium	624,815	437,925
Tennis	207,218	188,009
Total operating expenses	11,738,491	10,982,307
Net operating loss	(1,164,138)	(274,750)
Nonoperating income (expense):		
Interest income	7,704	10,522
Other contributions, royalties and revenue	249,301	370,810
Interest expense	(4,407)	(20,364)
Total nonoperating income	252,598	360,968
Changes in net assets before capital contributions	(911,540)	86,218
Capital contributions	3,176,912	162,453
Changes in net assets after capital contributions	2,265,372	248,671
Net assets at beginning of year	9,740,927	9,492,256
Net assets at end of year	$ 12,006,299	$ 9,740,927

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Cash Flows

For the years ended September 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Cash received from user fees and other park activities	$ 10,381,706	$ 10,778,073
Cash payments to suppliers for goods and services	(6,088,198)	(4,787,142)
Cash payments to employees for services	(4,660,288)	(5,253,076)
Net cash provided by (used in) operating activities	(366,780)	737,855
Cash flows from capital and related financing activities:		
Contributed by others for capital improvements	3,176,912	162,453
Acquisition and construction of capital assets	(3,241,514)	(316,161)
Repayment of capital leases	(135,151)	(152,818)
Interest paid on capital leases	(4,407)	(20,364)
Net cash used in capital and related financing activities	(204,160)	(326,890)
Cash flows from investing activities:		
Interest received on investments	7,704	10,522
Increase (decrease) in investments	21,618	(16,616)
Royalties, contributions and other revenue	249,301	370,810
Net cash provided by investing activities	278,623	364,716
Net increase (decrease) in cash and cash equivalents	(292,317)	775,681
Cash and cash equivalents at beginning of the year	1,411,148	635,467
Cash and cash equivalents at end of the year	1,118,831	1,411,148
Reconciliation of cash and cash equivalents:		
Cash	585,180	534,214
Investments substantially restricted	24,000	373,659
Investments with Louisiana Asset Management Pool	509,651	503,275
	$ 1,118,831	$ 1,411,148

Noncash capital and financing activities transactions:
During 2003, the Park acquired equipment under various capital lease obligations totaling $57,723.

	2003	2002
Reconciliation of net operating loss to net cash provided by operating activities are as follows:		
Operating loss	$ (1,164,138)	$ (274,750)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Change in allowance for bad debts	1,747	(42,077)
Depreciation	1,101,061	958,515
(Increase) decrease in receivables	(133,391)	178,861
Decrease in inventories	7,923	3,366
(Increase) decrease in prepaid expenses and other assets	(40,320)	198,983
Decrease in trade payables and insurance payable	(25,413)	(248,636)
Decrease in accrued liabilities and other liabilities	(54,993)	(12,216)
Decrease in deferred income	(59,256)	(24,191)
Net cash provided by (used in) operating activities	$ (366,780)	$ 737,855

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPOVEMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The State of Louisiana legislature passed Act 84 of 1870 which established a public park in the City of New Orleans (the City) and created the New Orleans Park Board of Commissioners. By Act 87 of 1877, the Board was abolished and the powers and duties were transferred to the City Council of New Orleans.

In 1896, Act 84 of 1870 was repealed and Act 130 gave recognition to an organization called the "New Orleans City Park Improvement Association" (the Park), an agency of the State, which was to manage and supervise the City's park.

Act 865 of 1982 transferred the Park to the State Department of Culture, Recreation and Tourism. The Park shall be used for park, educational and cultural purposes.

(a) Reporting Entity

For financial reporting purposes and in accordance with Governmental Accounting Standards Board's definition of a reporting entity, the Park has only one fund, an enterprise fund, which accounts for all assets, liabilities and operations of the Park, and, as such, is considered a primary government.

Of the 35 authorized Board members, 12 are appointed by various governmental units and nonprofit organizations. The remaining board members serve limited staggered terms and are appointed by the current Board members of the Park. The Park's Board members have decision-making authority over the activities of the Park including: the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Park has no special financial relationships with any other governmental unit and is responsible for its own debt and surpluses and deficits.

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

The accounting policies of the Park conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of related cash flows. The Park has no governmental or fiduciary funds. The Park uses fund accounting to report its financial position and results of operations. The Park's accounts are organized into a single proprietary fund.

The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including deprecation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Park's principal operating revenues are the fees received for services. The Park applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

(1) Summary of Significant Accounting Policies, Continued

(c) Investments

Investments are stated at fair value based on quoted market prices. If quoted prices are not available, fair value is estimated based on similar securities. Louisiana Revised Statutes authorize the Park to invest in bonds, treasury notes, certificates or other obligations of the United States, or time certificates of deposit in state banks organized under Louisiana laws and national banks having principal offices in the State.

(d) Inventories

Inventories, consisting primarily of gift shop, concession, and catering supplies, are valued at cost, which approximates market, using the weighted average method.

(e) Fixed Assets

Fixed assets are stated at cost. Contributed assets are recorded at fair market value at the time received. Depreciation is provided using the straight-line method over the estimated useful lives.

(f) Vacation Leave

The Park permits employees a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Park service.

(g) Net Assets

Designations of Net Assets represent those portions which are not available for operations but have been designated by the Board. Designations include golf improvements, tennis improvements, and other similar Park projects.

(h) Cash Flows

For purposes of the statement of cash flows, only cash certificates on hand and on deposit and investments having an initial term of three months or less are included in cash and cash equivalents.

(i) Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on prior years experience and management's analysis of possible bad debts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts was $7,923 and $50,000 as of September 30, 2003 and 2002, respectively.

(2) Cash, Cash Equivalents and Investments

The following are the components of the Park's cash, cash equivalents and investments at September 30, 2003 and 2002:

		2003		2002
Current:				
Cash in banks and certificates of deposit	$	585,180	$	534,214
Investments – primarily U.S. Treasury securities		24,000		373,659
Long-term:				
Investments held at Greater New Orleans Foundation		124,903		99,051
Investments with Louisiana Asset Management Pool		509,651		503,275
Total cash, cash equivalents and investments	$	1,243,734	$	1,510,199

The bank balances of cash and certificates of deposit, as reflected by the Bank's records totaled $611,202 and $553,421 at September 30, 2003 and 2002, respectively. The Park's bank balances and certificates of deposits at year-end were covered by federal depository insurance or by collateral held by the Park's custodial bank in the Park's name.

Restricted cash and investments as of September 30, 2003 and 2002 are as follows:

		Restricted Cash		Restricted Investments		Total
2003:						
Ribet Fund	$	-	$	24,000	$	24,000
Neighborhood Association Funds		161,221		-		161,221
	$	161,221	$	24,000	$	185,221
2002:						
Ribet Fund	$	-	$	24,000	$	24,000
Neighborhood Association Funds		-		74,927		74,927
Capital Funds Received from State		-		274,732		274,732
	$	-	$	373,659	$	373,659

(2) Cash, Cash Equivalents and Investments, Continued

Investments - The Park's investments are categorized below to give an indication of the level of risk assumed by the Park at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Park or its agent in the Park's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department in the Park's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Park's name.

	Fair Value	Category
2003:		
U.S. Treasury note	$ 24,000	1
Total	$ 24,000	1
2002:		
U.S. Treasury bills	$ 349,659	1
U.S. Treasury note	24,000	1
Total	$ 373,659	1

As of September 30, 2003 and 2002, the Park had investments totaling $509,651 and $503,275, respectively, in the Louisiana Asset Management Pool (LAMP). LAMP, local government investment pool, represents those assets held which is not categorized under GASB Codification Section I50.164 because the investment is in a pooled fund and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

As of September 30, 2003 and 2002, the Park had investments totaling $124,903 and $99,051, respectively, in the Greater New Orleans Foundation (GNOF). GNOF investments are held in a donor investment pool which is not categorized under GASB Codification Section I50.164 because investments are not evidenced by securities that exist in physical or book entry from. Investments in GNOF are administered by the Greater New Orleans Foundation, a 501(c)(3) public charity. The primary objective of GNOF is to provide a safe environment for the placement of donor funds in high

(2) Cash, Cash Equivalents and Investments, Continued

quality investments. To achieve these objectives, GNOF's investment portfolio consists of three diversified investment portfolios: the money market portfolio, the fixed income portfolio and the equity portfolio.

(3) Capital Assets

The capital assets of the Park as of September 30, 2003 and 2002 are as follows:

Description	2002	Additions	Deletions	2003	Estimated useful life (years)
Amusement Equipment	$ 3,477,486	$ 3,987	$ (529,631)	$ 2,951,842	5-20
Gardens	1,908,196	2,824,657	(97,614)	4,635,239	5-10
Softball quadraplex	1,594,426	-	(4,180)	1,590,246	5-20
Trucks	1,220,243	53,344	(838,565)	435,022	5-10
Administration building	668,693	18,208	(43,527)	643,374	3-20
Golf equipment	1,387,191	85,719	(11,863)	1,461,047	3-20
Couba Island - land	686,000	-	-	686,000	-
Couba Island - mineral rights	271,200	-	-	271,200	5
Casino/Catering Center	3,080,753	36,322	(47,102)	3,069,973	5-10
Tennis center	668,828	-	(96,322)	572,506	5-20
General park	2,371,316	8,170	(72,258)	2,307,228	5-20
Stadium	1,787,635	244,496	(183,928)	1,848,203	5-20
Boat equipment	73,704	-	(52,157)	21,547	5-20
Construction in progress	9,961	21,070	-	31,031	5-20
	$ 19,205,632	$ 3,295,973	$ (1,977,147)	$ 20,524,458	
Less accumulated depreciation	(8,051,185)	(1,101,062)	1,980,412	(7,171,835)	
Capital assets, net	$ 11,154,447	$ 2,194,911	$ 3,265	$ 13,352,623	

(3) Capital Assets, Continued

The capital assets of the Park as of September 30, 2002 and 2001 are as follows:

Description	2001	Additions	Deletions	2002	Estimated useful life (years)
Amusement Equipment	$ 3,477,486	$ -	$ -	$ 3,477,486	5-20
Gardens	1,908,196	-	-	1,908,196	5-10
Softball quadraplex	1,558,027	36,399	-	1,594,426	5-20
Trucks	1,220,243	-	-	1,220,243	5-10
Administration building	637,371	31,322	-	668,693	3-20
Golf equipment	1,387,191	-	-	1,387,191	3-20
Couba Island - land	686,000	-	-	686,000	-
Couba Island - mineral rights	271,200	-	-	271,200	5
Casino/Catering Center	3,064,679	16,074	-	3,080,753	5-10
Tennis center	668,828	-	-	668,828	5-20
General park	1,720,922	650,394	-	2,371,316	5-10
Stadium	1,776,319	11,316	-	1,787,635	5-20
Boat equipment	42,771	30,933	-	73,704	5-20
Construction in progress	470,238	-	(460,277)	9,961	5-20
	$ 18,889,471	$ 776,438	$ (460,277)	$ 19,205,632	
Less accumulated depreciation	(7,092,670)	(958,515)	-	(8,051,185)	
Capital assets, net	$ 11,796,801	(182,077)	(460,277)	$ 11,154,447	

Construction in progress of $31,031 and $9,961 as of September 30, 2003 and 2002, respectively, consists primarily of drainage projects.

(4) Commitments

During 2001, the Park restructured the terms of its $1,477,763 insurance payable to the State of Louisiana Office of Risk Management, making 120 monthly payments in the amount of $12,315 effective January 2002. The remaining amount as of September 30, 2003 and 2002 is $1,230,599 and $1,375,375, respectively.

The Park has assisted several local neighborhood association groups by obtaining grant funds on behalf of these organizations. The amounts remain in restricted assets and funds held for others until requested by the association groups.

(5) Operating Leases

The Park leases certain facilities to various lessees under renewable operating lease agreements. These facilities include the snowball stand, the stables, and land to Christian Brothers School. Minimum future lease payments receivable as of September 30, 2003, are as follows:

2004	$ 171,567
2005	83,065
2006	70,065
2007	62,865
2008	55,665
Thereafter	111,310

In addition, the Park leases Pan American Stadium to the Orleans Parish Public School Board under an operating lease which expired in 2003 for lease payments of $1 per year. A new lease agreement was not entered into as of March 2, 2004.

The Park leases golf equipment under a renewable operating lease. The approximate rental expense for this equipment for the years ended September 30, 2003 and 2002 was $144,600 and $144,665, respectively. The lease expired in 2003.

(6) Capital Leases

The Park has capital lease agreements for golf, maintenance, and other equipment. The cost of the equipment leased under capital leases as of September 30, 2003 and 2002 is $588,759 and $531,036, respectively. Accumulated depreciation on this equipment as of September 30, 2003 and 2002 is $344,718 and $260,036, respectively. The amortization expense on capital leased equipment is included in depreciation expense.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at September 30, 2003:

Fiscal year ending September 30:		
2004	$	89,408
2005		24,933
2006		6,918
Total minimum lease payments		121,259
Less amount representing interest		5,579
Present value of future minimum lease payments		115,680
Less current portion		85,120
Noncurrent portion of leases payable	$	30,560

(7) Employee Benefit Plans - Deferred Compensation Plan

The Park offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all regular full and part-time Park employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employee or their beneficiary until termination, retirement, death, or an unforeseeable emergency.

The plan is administered by the State of Louisiana (the State). Participants' rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. The Park contributed $71,097 and $70,337 to the deferred compensation plan in 2003 and 2002, respectively.

(8) Operations

The Park has incurred substantial operating losses for the years ending September 30, 1998 through 2003. In addition, certain capital improvements have been funded, at least partially, through operations. As a result the Park had a working capital deficit of $864,494 and $709,903 as of September 30, 2003 and 2002. The Board and management of the Park are implementing a plan to improve the Park's financial position through increased revenues from additional programs and general price increases for services currently provided, targeted expenses reductions, a moratorium on unfunded capital expenditures, and negotiations with creditors to extend the terms of amounts due. Similar actions will occur in 2004, as necessary.

(9) Management Agreement

On November 22, 2002, the Park entered into a management agreement with Kemper Sports Management, Inc. (KSM). As part of the management agreement KSM provides certain procurement functions to and for the benefit of the Park, including solicitation of proposals for certain operations, management and maintenance responsibilities in regard to the facilities and related golf services under the supervision of the Chief Executive Officer and Board of Commissioners of the Park. The agreement term is from January 1, 2003 to December 31, 2007, unless terminated according to the cancellation provisions of the agreement. The agreement may be renewed for two additional years by mutual written agreement of the parties. As part of the agreement KSM purchased the inventory at original cost.

KSM receives a management fee equal to 15% of the first $1,200,000 of net profits. KSM is also paid an incentive management fee equal to 17.5% of net profits between $1,200,000 and $1,500,000, 20% of net profits between $1,500,000 and $2,000,000 and 25% of net profits in excess of $2,000,000.

Schedule 1

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Schedules of Operating Expenses

For the years ended September 30, 2003 and 2002

	2003	2002
Administrative	$ 202,405	$ 286,377
Advertising	86,975	68,565
Bad debt	1,747	29,397
Celebration in the Oaks supplies	167,903	298,567
Communications	15,769	23,772
Contract labor	479,691	958,527
Contract services	187,831	203,799
Cost of goods sold	1,096,294	1,117,777
Depreciation	1,101,061	958,515
Fuel	25,396	40,132
Golf management fee	2,083,692	-
Golf tournament expense	-	15,040
Insurance	343,471	330,859
Other	128,161	47,480
Payroll	4,064,573	4,668,266
Payroll benefits	540,722	572,594
Rentals	133,575	247,190
Repairs and maintenance	220,271	342,881
Special events	179,285	32,412
Supplies	243,645	269,801
Telephone	53,133	62,281
Uniforms	3,247	7,686
Utilities	379,644	400,389
Operating expenses	$ 11,738,491	$ 10,982,307

See accompanying independent auditors' report.

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

The Members of the
New Orleans City Park Improvement Association
New Orleans, Louisiana:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park), as of and for the year ended September 30, 2003, and have issued our report thereon dated March 2, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Park in a separate letter dated March 2, 2004.

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This report is intended solely for the information and use of the Board, the Park's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

New Orleans, Louisiana
March 2, 2004

Appendix A

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended September 30, 2003

None

Appendix B

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
New Orleans, Louisiana

Status of Prior Year Findings and Questioned Costs

Year ended September 30, 2003

Finding 2002.1– Investments

Criteria: State of Louisiana Revised Statutes (LA. Rev. Stat. 33:2955) limits the types of investments by a governmental agency.

Condition: During 2002, the Park received investments held by a third-party agency which is not in conformity with the above requirement.

Questioned Cost: There are no questioned costs; the Park needs to monitor these types of investments.

Effect: Certain investments held by the Park are not in compliance.

Recommendation: Park policies should be modified and/or communicated to appropriate parties to better ensure compliance with Revised Statutes requirements; management review efforts should be strengthened to reflect the enforcement of the appropriate requirements.

Status

As of September 30, 2003 the Park continued to hold investments which were not in conformity with State of Louisiana Revised Statutes (LA. Rev. Stat. 33:2955).

Finding 2002.2– Public Bid Requirements

Criteria: State of Louisiana Revised Statutes (LA. Rev. Stat. 8:2212) require that material and supplies procured between $7,500 and $15,000 should have at lease three telephone quotes.

Condition: During a sample of 40 disbursements, we noted that for one item selected, the Park did not comply with bid requirements as contained in the State of Louisiana Revised Statutes.

Questioned Cost: The Park did not have evidence of bid results and/or adequate advertisements as related to the acquisition of a truck for $8,900.

Effect: Certain items procured by the Park were acquired without appropriate bid and/or advertisement.

Recommendation: Management review efforts should be strengthened to reflect the enforcement of the appropriate requirements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION
New Orleans, Louisiana

Status of Prior Year Findings and Questioned Costs

Year ended September 30, 2003

Status

The management of the Park has updated its bid policy to be in compliance with the State of Louisiana Revised Statutes. This policy has been distributed to all personnel in the Park with purchasing authority to ensure proper acquisition of material and supplies as required by State law. The Park has also hired a Director of Purchasing whose duties include monitoring compliance with bid laws.

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March 2, 2004

Board of Commissioners
New Orleans City Park Improvement Association
One Palm Drive
New Orleans, Louisiana 70124

Dear Commissioners of the Board:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park) for the year ended September 30, 2003, and have issued our report thereon dated March 2, 2004, which was unqualified. In planning and performing our audit of the financial statements of the Park, we considered the Park's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted matters involving internal control and compliance that has been presented in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards* as well as other comments included in Attachment A.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Park's organization gained during our work to make comments and suggestions that we hope will be useful to you. The status of prior year comments not resolved as of the prior year is included in Appendix B. Certain of these comments are in process.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended for the information of the Board of Commissioners, management and the State of Louisiana Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Postlethwaite & Netterville

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Current Year Comments

2003.1 Information Technology

Background

The Park maintains the accounting office for all functions connected with the City Park of New Orleans. This office handles numerous types of accounting transactions and financial and statistical reporting, including tracking revenue centers such as event bookings for facilities, softball and tennis revenues; paying disbursements; recording receipts; maintaining the budget, and processing payroll.

Internet Provider and Network Integrator

CommTech provides internet service and network support for the Park. The Park is relying completely upon the controls in place at CommTech; however, the Park is unaware of those controls. The Park should consider requesting a copy of an independent auditors' report and/or a copy of the most recent IS security review performed on CommTech. If CommTech has a breach of security, anyone connected to that network would be vulnerable for possible attacks. If firewalls are in place at both ends of the network, this information should be provided to the Park.

Network System Passwords

Currently, a password is required to logon the network system; however, there are no minimum requirements as to the complexity of the passwords. Recognized security authorities consider a password to be secure if it is at least seven characters long and contains at least one special character and one numeric character. Additionally, passwords should be changed on a periodic basis, especially the administrator's password. If the administrator's password becomes compromised, an unauthorized user has full reign over the system.

End-User Computer Policy

An end-user computer policy should be established for all users of the network. This computer policy will not only educate the users as to what is acceptable and unacceptable, but it protects the Park from potential liability.

Software Concerns

The Park is currently using SBT ProSeries version 3.0 for accounts receivable, accounts payable, general ledger, and the purchase orders system. SBT was acquired by ACCPAC in June 2000. This accounting system is a very old and unsupported DOS based program. It is imperative to maintain the latest versions of software and software licenses in order to have access to vendor support and to avoid the possibility of a "system crash". This software also requires substantial data entry. A more modern software system could allow for data entry of daily receipts at the source level creating a more efficient process. We recommend that this situation be addressed immediately in order to avoid the possibility of substantial data loss as a result of a system crash.

Hardware Concerns

Currently, in some areas, palm hand scanners are being used for employees to "punch in and out" for time recording purposes. At night, the payroll manager's computer polls these scanners using a dialup modem. This is a security risk because it allows other computers to have access to the payroll manager's computer connected to the network. Stronger controls should be in place such as changing passwords every 30 days for that user.

Disaster Recovery

The Park does not have an information and business continuity disaster recovery plan. We recommend that a complete disaster and business continuity plan be developed, contracts/agreements approved as necessary and appropriate personnel be trained. A complete plan should consist of all equipment and configurations, as well as software license agreements.

In addition, the Park should assess the fire protection in both the computer room and network area. A complete review should be made for fire protection and planning. At the very least, fire extinguishers should be mounted in obvious places.

Management's Response

The Park is aware of the need to purchase an updated Windows based accounting software package and will purchase such a system when the funds become available. The Park will also formulate a technology plan which will address a new network password policy and an end-user computer policy.

The Park will formulate a plan to obtain information on a regular basis from CommTech which supports their system controls.

A business continuity and disaster recovery plan for information technology will be developed with risk management as funds permit. However, the Park does maintain backups of financial information should a disaster occur. We will review safekeeping of this data.

Status of Prior Year Comments Not Resolved as of the Prior Year
(Note these comments reflect amounts and status for the respective fiscal year as noted)

2002.3– Information Technology

Software Concerns

The Park was using SBT ProSeries for accounts receivable, accounts payable, general ledger and the purchase order system and SBT Vision Point for payroll. The Park was running SBT version 3.0 which was no longer supported by the vendor. The SBT system was running in the old antiquated DOS environment. We recommended the purchase and installation of a new updated accounting system which runs on a Windows based platform.

Hardware Concerns

The Park was operating on the old antiquated DOS environment as a result of maintaining the outdated
SBT accounting software version 3.0. We recommended the purchase of a dedicated server for all accounting program functions, new cabling system of at least CAT 5 rating for all workstations, and the purchase of new workstations to run in the Windows 2000 environment.

Disaster Recovery

The disaster recovery concerns noted for the current year were addressed in the prior year.

Status:

Due to the lack of sufficient funding, the Park was unable to purchase a new accounting software system which could run in the Windows environment. When sufficient funding is available, the Park will purchase and install a new Windows based accounting system.

The Park purchased a new server and several new workstations running on the Windows 2000 operating system. In addition, the Park purchased a new cabling system with at least a CAT 5 rating.

A disaster recovery plan was not developed due to the lack of sufficient funds to implement such a plan.