NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Financial Statements and Schedule

September 30, 1999 and 1998

With Independent Auditors' Report Thereon

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

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P&N
Postlethwaite & Netterville
A Professional Accounting Corporation

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Independent Auditors' Report

The Board of Commissioners
New Orleans City Park Improvement Association:

We have audited the balance sheet of New Orleans City Park Improvement Association (the Park) as of September 30, 1999, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the year 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 audit. The financial statements and supplementary information of the Park as of September 30, 1998, were audited by other auditors whose report dated January 25, 1999, was qualified due to the inability to examine evidence relating to Year 2000 disclosures.

We conducted our audit in accordance with generally accepted auditing standards and *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 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 audit provides 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, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2000 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 audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The 1999 supplementary information included in the Schedule 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

March 24, 2000

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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Balance Sheets

September 30, 1999 and 1998

Assets		1999	1998
Current assets:			
Cash:			
Unrestricted	$	588,638	172,242
Restricted		375	3,226
Total cash and cash equivalents (note 2)		589,013	175,468
Investments substantially restricted (note 2)		263,574	1,140,993
Receivables:			
Friends of City Park		2,370	6,876
Other		161,389	155,696
Inventories		133,636	131,196
Prepaid expenses and other assets		209,884	258,206
Total current assets		1,359,866	1,868,435
Investments held at the Greater New Orleans Foundation (note 2)		71,334	89,857
Fixed assets, net (notes 3, 4, 5 and 7)		9,924,618	8,443,080
	$	11,355,818	10,401,372
Liabilities and Fund Equity			
Current liabilities:			
Notes payable - current (note 4)	$	-	74,684
Current portion of capital leases payable (note 7)		49,544	89,605
Accounts payable - trade		742,538	917,081
Accrued salaries		85,750	100,342
Deferred income		534,875	476,919
Accrued vacation leave		297,199	268,377
Other liabilities		221,044	364,947
Total current liabilities		1,930,950	2,291,955
Capital leases payable (note 7)		14,668	53,719
Total liabilities		1,945,618	2,345,674
Fund equity:			
Contributed capital (note 5)		8,220,982	6,978,085
Retained earnings:			
Designated (note 2)		263,949	902,302
Unreserved, undesignated		925,269	175,311
Total retained earnings		1,189,218	1,077,613
Total fund equity		9,410,200	8,055,698
Commitments (notes 3, 6 and 7)			
	$	11,355,818	10,401,372

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Revenues, Expenses
and Changes in Retained Earnings

For the years ended September 30, 1999 and 1998

		1999	1998
Operating revenues:			
Amusements and other events	$	2,264,636	2,006,665
Boating and fishing		3,965	12,556
Casino, catering, and restaurant revenue		2,456,622	2,171,855
Driving range		701,774	693,612
Golf cart rentals		1,005,710	945,328
Golf course fees		1,994,232	1,862,918
Horticulture, grounds and pavilion		793,965	601,220
Quadraplex rentals and concessions		345,437	320,136
Stadium rentals and concessions		404,538	456,620
Tennis fees and shop sales		220,193	230,350
Total operating revenues		10,191,072	9,301,260
Operating expenses:			
Amusements and other events		1,534,702	1,509,550
Boating and fishing		57,814	57,303
Casino, catering, and restaurant expense		1,991,737	1,771,752
Depreciation		706,061	662,084
Driving range		312,253	331,486
General park		2,636,321	2,269,841
Golf cart operations		348,154	353,950
Golf course		1,786,290	1,759,532
Horticulture and grounds		496,399	432,335
Quadraplex		269,939	232,226
Stadium		504,248	612,819
Tennis		209,144	230,276
Total operating expenses		10,853,062	10,223,154
Net operating loss		(661,990)	(921,894)
Nonoperating income (expense):			
Interest income		38,093	39,259
Other contributions, royalties and revenue		411,550	392
Interest expense		(11,763)	(17,673)
Total nonoperating income (expense)		437,880	21,978
Net loss		(224,110)	(899,916)
Add depreciation on contributed fixed assets		335,715	315,258
Increase (decrease) in retained earnings		111,605	(584,658)
Retained earnings at beginning of year		1,077,613	1,662,271
Retained earnings at end of year	$	1,189,218	1,077,613

See accompanying notes to financial statements.

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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Cash Flows

For the years ended September 30, 1999 and 1998

		1999	1998
Cash flows from operating activities:			
Cash received from user fees and other park activities	$	10,243,335	9,598,042
Cash payments to suppliers for goods and services and to employees for services		(10,387,309)	(9,148,163)
Net cash provided by (used in) operating activities		(143,974)	449,879
Cash flows from capital and related financing activities:			
Contributed by others for capital improvements		1,578,612	504,213
Acquisition and construction of capital assets		(2,246,399)	(775,550)
Repayment of notes payable and capital leases		(167,316)	(39,666)
Interest paid on notes payable and capital leases		(11,763)	(17,673)
Net cash used in capital and related financing activities		(846,866)	(328,676)
Cash flows from investing activities:			
Proceeds from sale of investments		-	180,026
Interest received on investments		38,093	39,259
Royalties and contributions		470,350	392
Net cash provided by activities		508,443	219,677
Net increase (decrease) in cash and cash equivalents		(482,397)	340,880
Cash and cash equivalents at beginning of the year		1,406,318	1,065,438
Cash and cash equivalents at end of the year	$	923,921	1,406,318
Reconciliation of cash and cash equivalents (note 2):			
Cash		588,638	172,242
Investments in short-term securities		335,283	1,234,076
	$	923,921	1,406,318

Noncash capital and financing activities transactions:
During 1998, the Park entered into various capital lease transactions totaling $123,709.
During 1999, the Park reduced its mineral rights by $58,800 as a result of a determination of a portion of such rights as non-producing.

		1999	1998
Reconciliation of net operating loss to net cash provided by (used in) operating activities are as follows:			
Net operating loss	$	(661,990)	(921,894)
Adjustments to reconcile net operating loss to net cash provided by operating activities:			
Depreciation		706,061	662,084
(Increase) decrease in receivables		(1,187)	237,999
(Increase) decrease in inventories		(2,440)	25,640
(Increase) decrease in prepaid expenses		48,322	(21)
Increase (decrease) in trade payables		(166,928)	304,000
Increase (decrease) in accrued liabilities and other liabilities		(123,768)	30,001
Increase in deferred income		57,956	112,070
Net cash provided by (used in) operating activities	$	(143,974)	449,879

See accompanying 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 only for park, educational or 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 32 authorized Board members, 11 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) Basis of Presentation - Fund Accounting

The operations of the Park are accounted for in a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary to the financial administration. The Park maintains one proprietary fund - an enterprise fund.

(c) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting and financial reporting of a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources (determination of net income) measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Park are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Park applies all applicable FASB pronouncements in accounting and reporting for its propriety fund operations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The accrual basis of accounting is utilized by proprietary fund-types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Collections received in advance of events, such as Celebration in the Oaks, are recorded as deferred revenue.

(d) *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.

(e) *Inventories*

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

(f) *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. Depreciation on assets acquired through contributions is charged to contributed capital.

(g) *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.

(h) *Fund Equity*

Designations of fund balances represent those portions which are not available for operations but have been designated by the Board. Designations include renovations related to the Casino Building, golf operations, Tennis court, and other similar Park projects.

Contributions whose use is limited to capital improvements and contributed capital improvements are recorded as contributed capital in fund equity.

(i) *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) *Reclassifications*

Certain reclassifications have been made in the 1998 financial statements to conform with the 1999 financial statement presentation.

(2) Cash and Cash Equivalents and Investments

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

		1999	1998
Current:			
Cash in banks and certificates of deposit	$	588,638	172,242
Investments – primarily U.S. Treasury securities		263,949	1,144,219
Long-term:			
Investments held at Greater New Orleans Foundation		71,334	89,857
Total cash, cash equivalents and investments	$	923,921	1,406,318

Cash - The bank balances of cash and certificates of deposit, as reflected by the Bank's records totaled $461,864 and $261,580 at September 30, 1999 and 1998, respectively. The Park's bank 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, 1999 and 1998 are as follows:

		Restricted Cash	Restricted Investments	Total
1999:	$			
Freeport		375	-	375
Ribet Fund		-	24,120	24,120
Stadium		-	239,454	239,454
	$	375	263,574	263,949
1998:				
Freeport	$	3,226	-	3,226
Ribet Fund		-	24,176	24,176
Casino Building		-	196,669	196,669
Stadium		-	38,142	38,142
General		-	19,096	19,096
Couba Foundation		-	89,383	89,383
Popp's Fountain		-	118,081	118,081
Golf		-	364,676	364,676
Playground		-	73,085	73,085
Tennis Court		-	194,864	194,864
	$	3,226	1,118,172	1,121,398

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
1999 -		
U.S. treasury bills and note	$ 263,574	1
1998 -		
U.S. treasury bills and note	$ 1,230,850	1

(3) **Fixed Assets**

The fixed assets of the Park as of September 30, 1999 and 1998 are as follows:

	1999	1998	Estimated useful life (years)
Amusement equipment	$ 3,146,238	3,086,944	5 - 20
Gardens	2,365,776	2,342,318	5 - 10
Softball quadraplex	1,553,842	1,548,583	5 - 20
Trucks and other equipment	1,295,212	1,283,003	5 - 10
Administration building	1,139,493	837,350	3 - 20
Golf equipment	985,403	930,450	3 - 20
Couba Island - land	686,000	686,000	-
Couba Island - mineral rights	271,200	330,000	5
Catering Center/Casino	654,701	643,126	5 - 10
Tennis center	455,487	449,437	5 - 20
General park	347,353	164,439	5 - 10
Stadium	336,162	184,033	5 - 20
Boat equipment	42,771	42,771	5 - 10
Construction in progress	2,017,917	581,502	-
	15,297,555	13,109,956	
Less accumulated depreciation	5,372,937	4,666,876	
Fixed assets, net	$ 9,924,618	8,443,080	

(Continued)

Construction in progress of $2,017,917 as of September 30, 1999 consists of $1,708,312 expended for the casino building, $83,872 expended for a drainage project, $91,325 expended for carousel restoration, $35,316 expended for Storyland improvements, $19,526 expended for the golf south course improvements, $68,072 expended for new tennis courts, and $11,494 for various other projects.

Construction in progress of $581,502 as of September 30, 1998 consists of $212,901 expended for the casino building, $79,183 expended for Popp's fountain, $66,583 expended for the stadium, $62,538 expended for the administration building, $55,700 expended for carousel restoration, $39,567 expended for the maintenance complex improvements, $22,008 expended for train track improvements, $18,311 expended for shelter improvements, and $24,711 for various other projects.

In December 1998, the Park received $470,000 from a lease of the mineral rights related to Couba Island. During the term of this lease, the Park determined that $58,800 of originally anticipated mineral right value became non-producing. The Park recognized the net proceeds of $411,200 in other non-operating income.

(4) Notes Payable

The Park made its final payment in August 1999 on its 6.25% note payable, which was payable in monthly payments of $7,093, including interest. This note had been collateralized by selected revenues from concession contracts and revenues from the operations of the City Park Quadraplex.

(5) Contributed Capital

The following is a summary of the changes in contributed capital by source:

Year ended		Beginning of year	Fixed asset Additions	Depreciation	End of year
1998	$	6,789,130	504,213	(315,258)	6,978,085
1999		6,978,085	1,578,612	(335,715)	8,220,982

Of the additions in 1999, the largest portion of the increase in contributed capital related to Casino Building.

(6) 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, 1999, are as follows:

2000	$	86,502
2001		86,502
2002		86,502
2003		86,502
2004		86,502
Thereafter		240,000

In addition, the Park leases Pan American Stadium to the Orleans Parish School Board under an operating lease expiring in 2002 for lease payments of $1 per year.

The Park leases golf equipment under a renewable operating lease. The rental expense for this equipment for the years ended September 30, 1999 and 1998 was $137,796 and $136,332, respectively. The remaining minimum future payments due under this agreement as of September 30, 1999 is for fiscal year 2000 for an amount of $146,675.

(7) Capital Leases

The Park has capital lease agreements for financing the acquisition of golf, maintenance, and other equipment. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms); therefore, they have been recorded at the present value of future minimum lease payments as of the date of their inception. The cost of the equipment leased under capital leases as of September 30, 1999 and 1998 is $152,917 and $269,250 respectively. Accumulated depreciation on this equipment as of September 30, 1999 and 1998 is $95,656 and $115,432 respectively.

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, 1999:

Fiscal year ending September 30:	
2000	$ 51,941
2001	14,860
Total minimum lease payments	66,801
Less amount representing interest	2,589
Present value of future minimum lease payments	64,212
Less current portion	49,544
Noncurrent portion of leases payable	$ 14,668

(8) 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). All amounts of compensation deferred under the plan and all income attributable to those amounts are solely the property of the State (until payment is made to the employee or beneficiary), subject only to the claims of the State's general creditors. 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 $76,498 and $76,234 to the deferred compensation plan in 1999 and 1998, respectively.

Schedule

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Schedule of Operating Expenses

For the years ended September 30, 1999 and 1998

		1999	1998
Administrative	$	232,033	190,815
Advertising		93,313	57,429
Bad debt		3,587	39,873
Celebration in the Oaks supplies		107,917	172,193
Communications		58,132	49,951
Contract labor		610,585	456,220
Contract services		229,539	181,789
Cost of goods sold		1,093,380	1,078,291
Depreciation		706,061	662,084
Fuel		36,668	32,157
Golf tournament expense		40,380	42,333
Insurance		651,724	588,535
Other		129,534	88,724
Payroll		4,817,533	4,662,941
Payroll benefits		523,327	507,474
Rentals		225,220	190,975
Repairs and maintenance		432,697	387,711
Special events		161,741	120,958
Supplies		279,232	286,923
Telephone		60,932	60,574
Uniforms		10,379	9,997
Utilities		349,148	355,207
Operating expenses	$	10,853,062	10,223,154

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 Board of Directors
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, 1999, and have issued our report thereon dated March 24, 2000, which was unqualified. We conducted our audit in accordance with generally accepted auditing standards 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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards:*

> Certain investments held at the Greater New Orleans Foundation have not been legally determined as to meeting State of Louisiana Revised Statute requirements. The Park needs to assess if these investments are in compliance with State regulations and document the results of this determination.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Park's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

> The Park's policies and procedures require that bank reconciliations be prepared and reviewed each month on a timely basis. In performing our tests of this procedure, we noted that the bank reconciliations at year end contained several errors. Supervisory review of these reconciliations did not discover the errors on a timely basis. Upon follow-up by Park personnel, it was noted that the reconciliations prepared during the entire year also contained errors. The Park prepared corrected reconciliations for the bank accounts and adjusted the account balances as required.
>
> We recommend that timely bank reconciliations be prepared and that the supervisory review include the testing of large reconciling items and non-routine items. Documentary support for large items and non-routine items should be included with the reconciliation records. The preparer and supervisor reviewer should initial and date the reconciliation and forward it to the Chief Financial Officer to indicate completion and for final review.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Board, 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.

Postlethwaite & Netterville

March 24, 2000

P&N

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00 MAR 31 AM 9:46

March 30, 2000

Albert J. Richard
Postlethwaite & Netterville
2324 Severn Avenue, Suite A
Metairie, LA 70001

Dear Mr. Richard,

Detailed below is Management's response to Postlethwaite & Nettervillee's report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.

Compliance Finding:

Certain investments held at the Greater New Orleans Foundations have not been legally determined as to meeting State of Louisiana Revised Statute requirements. The Park needs to assess if these investments are in compliance with State regulations and document the results of this determination.

Management's Response

Management, working with the Board's Finance Committee, will obtain a legal opinion regarding compliance with State of Louisiana Revised Statutes as related to the Park's investments held at the Greater New Orleans Foundation and act accordingly before September 30, 2000.

Internal Control Over Financial Reporting Reportable Condition

The Park's policies and procedure require that bank reconciliations be prepared and reviewed each month on a timely basis. In performing our tests of this procedure, we noted that the bank reconciliations at year end contained several errors. Supervisory review of these reconciliations did not discover the errors on a timely basis. Upon follow-up by Park personnel, it was noted that the reconciliations prepared during the entire year also contained errors. The Park prepared corrected reconciliations for the bank accounts and adjusted the account balances as required.

We recommend that timely bank reconciliations be prepared and that the supervisory review includes the testing of large reconciling items and non-routine items. Documentary support for large items and non-routine items should be included with the reconciliation records. The preparer and supervisor reviewer should initial and date the reconciliation and forward it to the Chief Financial Officer to indicate completion and for final review.

Management's Response

Management has already changed personnel and the review process as related to bank reconciliations. The above recommendations have been incorporated into the revised procedures.

Chief Financial Officer/Chief Administrative Officer
New Orleans City Park Improvement Association

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CONFIDENTIAL

March 24, 2000

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, 1999, and have issued our report thereon dated March 24, 2000, 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 certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are listed in Appendix A to this report.

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 comments from the prior years is included in Appendix B. Certain of these comments are in process. Appendix C contains management's response to the current year comments.

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

CURRENT YEAR COMMENTS

99.1 - Reporting Model Changes

After years of study and consideration of the needs of users of government financial statements, the Governmental Accounting Standards Board (GASB) issued its revolutionary new reporting model in June 1999. The new model dramatically changes the presentation of governments' external financial statements. In the GASB's view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the Park's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes follow:

Management's Discussion and Analysis (MD&A) – A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by presenting an analysis of the government's financial performance for the year and its financial position at year-end.

Statement of Activities – Governments will now be required to use a "net program cost" format for the entity-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program revenues or general revenues of the government (such as tax revenues). Governments will have the option of reporting both direct and indirect program costs.

Capital Contributions - Capital contributions to enterprise funds would be reported as nonoperating revenues (rather than direct additions to equity); governments would no longer report contributed capital equity accounts. This change would recognize all contributed resources-including grants, tap fees, and developer contributions-consistently in enterprise fund operating statements. It also would eliminate the confusion caused by reporting negative retained earnings (offset) by large contributed capital balances.

The effective date of the new pronouncement will require implementation by the Park for its year ending September 30, 2001. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the Park begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. We recommend that the Park consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget and also consider identifying training programs for key staff members to attend.

99.2 - Bank Reconciliation Process

During the current year, the Park identified a problem with its bank reconciliation process. The problem should have been detected in a more timely matter if a detailed review of the reconciling items and reconciliation results were performed.

The Park should develop procedures whereby supervisory review of supporting evidence for reconciling items and the verification of the reconciled amounts is documented. Periodic status reports as to bank balance, total outstanding checks, total deposits in transits, other reconciling item detail and book balance should be provided to the Chief Financial Officer for review of reasonableness of such items.

Status of Prior Year Comments

98.1 - Cash Flow

The Park's 1998 working capital is a deficit of $423,520 including designated and restricted funds of $1,121,398. In 1995, the Park's working capital was $125,446.

The Park owed approximately five months of insurance premiums totaling $250,721 as of September 30, 1998. The Park's accounts payables-trade and accrued salaries totaled $1,017,423 at the end of fiscal year 1998. We recommend that the Park review its working capital situation and develop a short-term cash plan.

Park's Status:

Addressed. Management and the Board investigate new revenue-producing projects regularly and monitor the Park's cash flow.

98.2 - Grants and Fundraising

The Park has been sustained on self-generated revenues. However, because of the impact that external forces, such as hurricanes and rain, could have on park operations, other revenues sources should be investigated.

The Park should give consideration to hiring a development person, who would investigate and pursue grant opportunities and assist the Board and management in developing fundraising campaigns. The Park has already established an endowment fund maintained at the Greater New Orleans Foundation.

Park's Status:

Addressed. As additional funds accumulate, management and the Board will consider the hiring of a development person to facilitate fundraising.

98.3 - Inventory

During our inventory test counts, several discrepancies were noted as a result of miscounts or spoiled goods at the Stadium Concessions, Golf Club Restaurant, Central Store and Catering. While the dollar amounts of the discrepancies were relatively minor, because of the large percentage in errors of items counted, we recommend the Park review and monitor inventory composition throughout the year. In addition, we recommend the reporting and tracking of spoiled goods to better assess if purchasing methods are cost-beneficial (e.g., whether the Park buys and stores but has large spoilage versus buying as needed).

Park's Status:

Implemented. Accounting procedures include a minimum of quarterly spot checks of inventory, and several spot checks throughout the year.

98.4 - Bid Procedures

Certain disbursements did not have proper bid documentation in the files. In particular, two files did not contain documentation as to the selection of the successful vendor. Recommendations regarding bids were also made in the prior year management letter. We recommend that the Board and management review the requirements of the Louisiana Revised Statues and, working with legal counsel, develop policies and procedures to ensure proper acquisition of materials and supplies as required.

Park's Status:

Implemented. Certain designated procurement for the Park is being facilitated through a new non-profit organization expected to be completed in fiscal year 2000. Bid procedures mimic State guidelines, although this is not a State requirement.

98.5 - Procurement

Several items were noted in our testing of the procurement processes of the Park:
- numerous purchases of items under $50;
- no consolidation of volume purchasing on a consistent basis, and
- no procurement card usage, although Petty Cash funds are significant.

While financial considerations may be a factor in current purchasing staffing, the Park should consider the cost benefit of hiring an purchasing agent, who would have specific performance objectives and assist the Park in monitoring bid compliance and reviewing purchasing procedures for efficiency and effectiveness.

We also recommend that the Park review its purchasing of items under $50 to determine how frequent such purchases are happening and why. As part of this process, we suggest that the Park consider performing an overall analysis of purchasing to determine if volume purchasing is being consolidated in a cost-effective manner would be cost-beneficial to the Park. Likewise, the use of procurement cards as a means of monitoring and consolidating purchasing could be cost-beneficial. Procurement cards are becoming more popular in the market place and may reduce the need for petty cash amounts and also maximize the Park's purchasing negotiations. Procurement cards also reduce the need for payment vouchers and other related paper work. It is our understanding that the Park is investigating the opportunities related to procurement cards, and we encourage these efforts.

In our review the park had 2,944 vendors listed in its vendor file, 6,895 checks written in 1997 and issued 2,415 purchase orders. Expenses in 1995 were $6.6 million; expenses in 1998 were $10.2 million. The Park's operations have significantly expanded and grown. We believe that the above recommendations should be considered to assist the Park in meeting its expanding business needs.

Park's Status:

Addressed. Management realizes the importance of a centralized purchasing department; however, due to current fiscal limitations, this will not be a short-term reality. As additional funds are accumulated, management will re-consider this comment.

98.6 - Year 2000

A current key topic with all business is Year 2000. Year 2000 compliance is the responsibility of the Park and its management. As the end of the year approaches, the Park should ensure that its due diligence on key vendors' Year 2000 readiness has been completed, that contingency plans have been developed and are in writing, and that confirmation from the Park's software vendors has been received and reviewed. We recommend that the Board receive a report from management regarding its Year 2000 assessment and review contingency plans for appropriateness and completeness.

Park's Status:

Addressed. No Year 2000 issues have arisen.

98.7 - Casual Labor

Due to the nature of the business, the client has numerous casual labor contractors working at the Park who are not required to sign any type of contract before employment begins. The Park may have exposure to injury suits while the employees are on the premises. We recommend the Park review its liabilities and determine if its risks, if significant, could be minimized.

Park's Status:

Addressed. Management has reduced need for contract labor.

98.8 - Collateral Monitoring

The Park does have an individual who monitors collateral monthly; however, there is no evidence of this review. We recommend the review be documented by initialing the collateral report prepared by the bank.

Park's Status:

Implemented. Collateral reports are currently reviewed and initialed by the Assistant Chief Financial Officer.

98.9 - Disbursements

In our disbursement testwork, we noted one item out of twenty-five which did not have a requisition as required in accordance with the Park's policies and one item for which the canceled check could not be located.

Park's Status:

Addressed. The Park has procurement policies which are enforced.

98.10 - Catering and Sales

During fiscal year 1998, the same person who prepared special event and catering invoices, also received and recorded cash collections for the same invoices. We recommend that the Park assess its current staff's responsibilities and segregate preparing of invoices from cash postings.

Park's Status:

Implemented. Processing of catering invoices and the collecting payments are segregated duties.

98.11 - Investments

Louisiana Revised Statutes outline the types of investments permissible to be held by local governments. In addition, the Park has its own investment policy. We recommend that the investments held at the Greater New Orleans Foundation be reviewed to ensure compliance with State law and the Park's policy.

Park's Status:

In progress. The Park's Finance Committee and management relocated the majority of funds to the Louisiana Asset Management Pool and will consider moving the remaining amounts by the end of fiscal 2000.

98.12 - Cost of Goods Sold

In the Park's financial statements, the income statement for Special Services, which primarily includes catering and concession operations, is included. Revenues for Special Services for the year ended 1998 totaled $2.4 million; cost of goods sold (excluding salaries and overhead) totaled $1.4 million, leaving a gross margin percentage of 42%.

The Park should consider its policy regarding pricing of events to determine if its pricing structure is comparative to other catering services in the area and if its margins are appropriate.

Park's Status:

Implemented. The Park's management has investigated the above comment.

97.1 - Expanding Role of Internal Audit

Currently, the Internal Auditor performs internal audit and accounting functions.

Consideration of the expansion of the role of the Internal Auditor should be given by the Board and management. Potential new areas of Internal Audit review include payroll audits, fixed assets, overtime verification, bid compliance testwork, special event auditing, and other similar areas. The Board should consider removing the Internal Auditor from routine accounting functions to permit time to perform internal audits and to provide independence for auditing accounting-related areas.

Consideration should also be given by the Board to approve the hiring of another accountant to assume the accounting duties currently performed by the Internal Auditor.

Park's Status:

Implemented. The Park uses internal staff and outsources various internal audit projects as considered appropriate.

97.2 - Golf Operations

In review of the new procedures related to golf operations, several areas for further review by management and the Board were noted, as follows:

- As a result of recent changes, golf cash operations appear to be overstaffed based on our limited observation of cash procedures. Staffing needs should be reassessed including outsourcing options.
- The golf cashier and driving range cashier operations are monitored on videotape in the golf shop; offsite monitoring and review of video tapes by security personnel should be considered.
- The Finance Department should receive a listing of tournaments booked in advance; the listing should be checked to daily activity reports to determine the completeness of reports and related revenue.

- Random review of selected tournaments should be performed by the Internal Auditor; procedures should include some test counts of the number of participants on the day tournaments are held.
- Cashier training is currently provided on-the-job by other experienced personnel. A formalized training program should be considered.

Park's Status:

Implemented. These issues have been resolved with the new golf operation vendor.

97.3 - Bid Procedures

Certain disbursements for repairs/restoration exceeded a cost of $10,000 but were not advertised for bids as the Park considered carousel and amusement related matters to be unique items with limited or unique suppliers. In another instance, bids were obtained but an advertisement for bids was not published. We recommend that the Board and management review the requirements of the Louisiana Revised Statutes and, working with legal counsel, develop policies and procedures to ensure proper acquisition of materials and supplies as required. In addition, non-bid items should be approved by the Board before an agreement to purchase occurs.

Park's Status:

Complete. Act 13 of the State Legislature was passed in April 1998, which allowed the Park to contract with any non-profit or not-for-profit firm, corporation, or entity for the operation, care, control and management of the Park and its facilities. Currently, the Park must follow State procurement guidelines for all procurement that is not facilitated through PEPCO.

97.4 - State Regulations

As a state agency, the Park is subject to various laws and regulations. However, because certain State acts and state agency policies do not apply to all state created entities, and in order to better understand which regulations the Park should comply with, we recommend that the Park receive legal opinions as necessary, particularly in the areas of procurement and pensions.

Park's Status:

Implemented. PEPCO was formed in 1999. The Park is working with PEPCO to complete details of the arrangement.

Management's Response to the Current Year Comments

99.1 - Reporting Model Changes

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Management's Response:

Concur. The Accounting Department will begin assessing the impact of this new GASB and will develop an implementation plan.

99.2 - *Bank Reconciliation Process*

During the current year, the Park identified a problem with its bank reconciliation process. The problem should have been detected in a more timely matter if a detailed review of the reconciling items and reconciliation results were performed.

The Park should develop procedures whereby supervisory review of supporting evidence for reconciling items and the verification of the reconciled amounts is documented. Monthly summary reports containing the bank balance, total outstanding checks, total deposits in transits, other reconciling item detail and general ledger balance should be provided to the Chief Financial Officer for review of reasonableness of such items.

Management's Response:

Concur. The Accounting Department has already revised supervisory review procedures and consideration will given to the development of a periodic summary report.

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation

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March 24, 2000

The Members of the Board of Commissioners
New Orleans City Park Improvement Association

We have audited the financial statements of New Orleans City Park Improvement Association as of and for the year ended September 30, 1999, and have issued a report thereon dated March 24, 2000. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

This report is intended solely for the information and use of the Board, 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

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

SEPTEMBER 30, 1999

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards is to express an opinion on the financial statements of New Orleans City Park Improvement Association (the Park) as of and for the year ended September 30, 1999, based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control structure of the Park to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, although not for the purpose of providing specific assurance on the internal control structure.

Significant Accounting Policies

The significant accounting policies used by the Park are described in the "Summary of Significant Accounting Policies" note to the financial statements.

We noted no transactions entered into by the Park during the period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance of the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There are no significant areas which require management's judgments or estimation.

Significant Audit Adjustments

We proposed no significant audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Park's financial reporting process.

Disagreements With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Park's 1999 financial statements.

P&N

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained an opinion, written or oral, from other independent accountants during the past year which were subject to the requirements of Statement on Auditing Standards No. 50, "*Reporting on the Application of Accounting Principles.*"

Major Issues Discussed With Management Prior to Retention

There have been no major issues discussed with management prior to our retention as your auditors.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.