Investments

The Foundation's year-end endowment fund assets per the unadjusted general ledger balance were approximately $80,000 higher than the portfolio value per the Prudential Securities (Prudential) statement. The Institute referred this difference to Prudential for explanation. When Prudential could not reasonably explain this difference, the Institute assumed the Prudential statement was correct and adjusted its general ledger to reflect the balance per the Prudential statement. In comparing the detailed Prudential statement to the year-end Lazard Freres statement, we discovered that the majority of this difference was due to Prudential's failure to price certain securities purchased close to year-end; therefore, the value of these securities was excluded from its year-end statement. We recommend that the Institute revise its reconciliation procedures to include a detailed review of the Prudential statement each month and comparison of the Prudential statement to the Lazard Freres statement for reasonableness.

Management's Response

The reconciliation of the December Prudential custodian statement to Audubon's records was incomplete at the time the audit commenced. While both management and its Prudential consultants had looked at this problem, the unpriced securities positions were not specifically identified as the source of the difference being investigated. Accordingly, management adjusted its accounting of endowment investments to reflect the Prudential statement balance. The audit team identified the unpriced securities as the problem and the reconciliation was completed. An adjustment was recorded.

Expense Reimbursements

We noted that in at least one instance, the Institute paid "late charges" for a corporate credit card account because the Institute failed to pay the bill by the due date. We recommend that management consider discontinuing credit cards in the name of and paid directly by the Institute. This policy would further enhance internal controls in that the Institute would not be committed to pay for potential unauthorized purchases. The Institute would simply reimburse employees after they have provided adequate supporting documentation. If this policy is not modified, we recommend that the Institute implement procedures to ensure that late charges are not required to be paid on credit cards.

Management's Response

Management implemented procedures in 1996 to ensure that the card statements are routed directly to the Finance Office by the mailroom. Finance is then able to ensure that the payment is processed on a timely basis. Finance Office personnel carefully review credit card statement activity and the adequacy of supporting documentation turned in by the cardholder. Procedures include referring copies of the statements to

COMBINING INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING BALANCE SHEET

AS OF DECEMBER 31, 1996

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1996	Memorandum Only 1995
CURRENT LIABILITIES:							
Due to The Audubon Institute	$ -	$ 961,166	$ -	$ -	$ -	$ 961,166	$ 258,558
Accounts payable and other accrued liabilities	1,787,221	1,735,215	16,259	62,418	47,939	3,649,052	4,525,599
Due to other funds	424,441	-	-	442,615	-	867,056	1,160,450
Total	2,211,662	2,696,381	16,259	505,033	47,939	5,477,274	5,944,607
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):							
Accrued interest	288,292	14,771	-	-	-	303,063	299,958
Revenue bonds	500,000	-	-	-	-	500,000	475,000
Limited tax bonds	1,215,000	125,000	-	-	-	1,340,000	1,300,000
Construction payables	182,609	87,669	-	-	-	799,847	2,210,070
Due to other funds	-	-	-	529,569	-	-	519,533
Total (payable from restricted assets)	2,185,901	227,440	-	529,569	-	2,942,910	4,804,561
Total current liabilities	4,397,563	2,923,821	16,259	1,034,602	47,939	8,420,184	10,749,168
LONG-TERM LIABILITIES:							
Limited tax bonds	43,021,512	4,375,000	-	-	-	47,396,512	45,998,304
Revenue bonds	14,200,000	-	-	-	-	14,200,000	14,725,000
Less: unamortized discount	(1,932,355)	-	-	-	-	(1,932,355)	(2,064,324)
Other	-	895,836	-	-	-	895,836	870,833
Total long-term liabilities	55,289,157	5,270,836	-	-	-	60,559,993	59,529,813
Total liabilities	59,686,720	8,194,657	16,259	1,034,602	47,939	68,980,177	70,278,981
RETAINED EARNINGS:							
Reserved	2,289,510	-	-	-	-	2,289,510	2,105,383
Unreserved	29,511,163	15,753,571	220,300	16,446,418	1,296,826	63,228,278	58,779,110
Total retained earnings	31,800,673	15,753,571	220,300	16,446,418	1,296,826	65,517,788	60,884,493
Total liabilities and retained earnings	$91,487,393	$23,948,228	$ 236,559	$17,481,020	$ 1,344,765	$ 134,497,965	$ 131,163,474

The accompanying notes are an integral part of this financial statement.

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1996

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1996	Memorandum Only 1995
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net income (loss) from operations	$ (463,542)	$ (3,485,537)	$ 61,011	$ (891,669)	$ (290,261)	$ (5,069,998)	$ (3,543,815)
Adjustments to reconcile to cash provided by operations-							
Depreciation and amortization	2,884,371	666,065	42,007	246,740	169,109	4,008,292	3,068,051
Accounts receivable and other current assets	434,390	(387,566)	-	2,561	10,745	60,130	(661,449)
Advances (to) from other funds, net	754,155	62,915	(58,551)	632,475	21,008	1,412,002	627,993
Accounts payable and other current liabilities	(1,126,476)	212,869	5,265	44,806	(13,012)	(876,548)	(13,359)
Cash provided (used) by operations	2,482,898	(2,931,254)	49,732	34,913	(102,411)	(466,122)	(522,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Grants from Audubon Institute for capital projects and education	326,274	3,710,403	-	1,892,619	143,446	6,072,742	8,773,177
Payments for projects' design, construction and purchase of equipment	(2,278,037)	(4,132,413)	(49,732)	(2,376,265)	(1,210)	(8,837,657)	(20,176,120)
(Increase) decrease in restricted assets	193,356	(2,151,453)	-	-	-	(1,958,097)	10,002,920
Dedicated tax revenues	5,294,891	566,660	-	-	-	5,861,551	5,623,753
Interest paid	(3,886,312)	(151,597)	-	-	-	(4,037,909)	(4,125,507)
Payment of bond principal	(1,660,000)	(140,000)	-	-	-	(1,800,000)	(1,645,000)
Interest income	726,905	40,303	-	250,008	55,200	1,072,416	1,245,391
Intergovernmental and other grants	1,029,177	594,219	-	-	-	1,623,396	554,367
Grant expenses	(55,000)	(50,000)	-	(6,275)	(94,725)	(206,000)	(179,670)
Bond issue proceeds	-	4,450,176	-	-	-	4,450,176	-
Defease zoo bonds	-	(1,943,534)	-	-	-	(1,943,534)	-
Transfers to other funds	(2,305,000)	2,100,000	-	205,000	-	-	-
Other	55,982	-	-	-	-	55,982	52,534
Cash provided (used) by capital and related financing activities	(2,557,764)	2,892,764	(49,732)	(34,913)	102,711	353,066	125,845
Net increase (decrease) in cash and cash equivalents	(74,866)	(38,490)	-	-	300	(113,056)	(396,734)
CASH AND TEMPORARY INVESTMENTS, beginning of year	288,807	125,504	-	100	900	415,311	812,045
CASH AND TEMPORARY INVESTMENTS, end of year	$ 213,941	$ 87,014	$ -	$ 100	$ 1,200	$ 302,255	$ 415,311

The accompanying notes are an integral part of this financial statement.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

OF THE AUDUBON COMMISSION AS AN ENTITY

To the Audubon Commission:

We have audited the general purpose financial statements of Audubon Commission (the Commission), a component unit of the City of New Orleans, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 2, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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 general purpose financial statements are free of material misstatement.

Management of the Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Commission for the year ended December 31, 1996, we obtained an understanding of the Commission's internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that we consider to be material weaknesses as defined above. We did, however, note certain matters involving the internal control structure and its operation that we have communicated to the management of the Commission in a separate letter dated April 2, 1997.

This report is intended for the information of the audit committee, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 2, 1997

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

OF THE AUDUBON COMMISSION AS AN ENTITY

To the Audubon Commission:

We have audited the general purpose financial statements of Audubon Commission (the Commission), a component unit of the City of New Orleans, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 2, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of non-compliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the City of New Orleans and the Commission's management. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 2, 1997

ARTHUR ANDERSEN LLP

THE AUDUBON INSTITUTE, INC.

MEMORANDUM ON ACCOUNTING PROCEDURES AND INTERNAL ACCOUNTING CONTROLS
DECEMBER 31, 1996

THE AUDUBON INSTITUTE

MEMORANDUM ON ACCOUNTING PROCEDURES
AND INTERNAL ACCOUNTING CONTROLS

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Executive Vice Presidents if necessary to clear up questions. There are only five cards outstanding at this time. Management believes that it has appropriately limited the number of company credit cards in use given current business conditions.

Payroll

In our testing of a sample of payroll disbursements, we noted that not all employee time cards (all departments but Zoo) and departmental time summaries (Zoo) forwarded to Human Resources for payroll processing were signed by department supervisors evidencing their review/approval. We recommend that management reinforce to department supervisors the importance of reviewing support for employee time and evidencing their review by signing/initialing applicable documentation.

We also noted that HR independently verifies the accuracy of time reported by individual departments in addition to their duties of physically processing the payroll; however, department supervisors are primarily responsible for ensuring that all and only bona fide employees are paid for the hours they actually work. This payroll processing procedure and management control create duplicative work performed by the HR department. We recommend that Management evaluate the procedures currently used in processing payroll, as well as other areas, to ensure that the Institute's time and resources are being used to their fullest potential.

Management's Response

Management will reinforce with its supervisors the requirement that employee time documentation be reviewed and that evidence of that review be documented.

Management will evaluate the cost effectiveness of the quality control procedures being performed in the Human Resources department to ensure that payrolls are processed timely, efficiently and accurately.

AUDUBON INSTITUTE

STATUS OF PRIOR YEAR SUGGESTIONS

DECEMBER 31, 1996

	Implemented	Partially Implemented	Not Implemented
Information Systems Planning	X		
Golf Course	X		
Purchasing	X		
Gift Shop	X		
Temporarily Restricted Investments	X		

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING BALANCE SHEET

AS OF DECEMBER 31, 1996

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1996	Memorandum Only 1995
CURRENT ASSETS:							
Cash and temporary investments	$ 213,941	$ 87,014	$ -	$ 100	$ 1,200	$ 302,255	$ 415,311
Accounts receivable, net of allowance for uncollectible accounts of $93,000 and $107,000 in 1996 and 1995, respectively	491,935	589,068	-	-	-	1,081,003	1,155,332
Accrued interest receivable	68,833	-	-	-	-	68,833	86,259
Due from other funds	-	773,760	89,322	-	3,974	867,056	1,679,983
Inventory	69,496	265,632	-	-	20,000	355,128	345,874
Prepaid expenses	628,586	142,128	-	2,681	1,441	774,836	769,891
Total current assets	1,472,791	1,857,602	89,322	2,781	26,615	3,449,111	4,452,650
RESTRICTED ASSETS:							
Due from Audubon Institute for capital improvements	-	-	-	629,241	-	629,241	1,837,077
Debt service accounts	4,194,628	307,088	-	-	-	4,501,716	4,496,267
Operation and maintenance reserve accounts	2,289,510	-	-	-	-	2,289,510	2,105,383
Accounts receivable for capital improvements	182,609	2,656,641	-	-	-	2,839,250	554,367
Capital improvement accounts	-	-	-	-	-	-	17,919
Total restricted assets	6,666,747	2,963,729	-	629,241	-	10,259,717	9,011,013
PROPERTY AND EQUIPMENT:							
Land	-	800,000	-	-	150,000	950,000	950,000
Buildings and fixed exhibitry	76,382,320	21,868,092	-	16,205,265	2,853,041	117,308,718	102,562,644
Construction in progress	950,211	1,190,387	-	640	-	2,141,238	14,113,223
Equipment	5,491,491	2,132,176	460,659	1,152,896	583,617	9,820,839	7,530,233
Less: accumulated depreciation	(12,263,422)	(6,928,353)	(313,422)	(509,803)	(2,268,508)	(22,283,508)	(18,445,473)
Net property and equipment	70,560,600	19,062,302	147,237	16,848,998	1,318,150	107,937,287	104,710,627
OTHER ASSETS:							
Prepaid rent - Dock Board	10,421,020	-	-	-	-	10,421,020	10,536,820
Investment - Riverfront Economic Development Agreement	1,770,141	-	-	-	-	1,770,141	1,826,125
Unamortized bond issue cost	596,094	64,595	-	-	-	660,689	626,239
Total other assets	12,787,255	64,595	-	-	-	12,851,850	12,989,184
Total assets	$91,487,393	$23,948,228	$ 236,559	$17,481,020	$ 1,344,765	$ 134,497,965	$ 131,163,474

The accompanying notes are an integral part of this financial statement.

6. RELATED PARTY TRANSACTIONS:

The Commission and the Institute are related through the interaction of their Boards of Directors and the mutual operation of the entities by the same management team. To assure efficiencies through economies of scale, these entities, often and in the ordinary course of business, engage in operations through one organization that benefits the other organization. One example of this is the use of common or central bank and investment accounts. At December 31, 1996, the Commission had a payable to the Institute of $961,166 and a receivable from the Institute of $629,241.

The Commission also received additional financial support from the Institute in the form of specific gifts and grants totalling approximately $6,073,000 and distributions from the Institute's Endowment Fund amounting to approximately $524,000, (included in interest income) during 1996.

At December 31, 1995, the Commission had capitalized Insectarium project design costs of $648,000. This investment was transferred to Audubon Institute, Inc. in 1996 in partial settlement of cash advances made by the Institute to the Commission.

7. COMMITMENTS AND CONTINGENCIES:

A. Litigation

Certain claims and suits have been filed against the Commission. The majority of these claims are covered by insurance and, in the opinion of management and legal counsel, the ultimate resolution of these cases will not result in a significant liability to the Commission.

B. Self Insurance Risk Management

The Commission is self-insured for worker's compensation, short-term disability and health insurance benefits. The Commission has purchased commercial insurance to cover catastrophic claims on the hospitalization benefits and claims with an aggregate maximum cap of $50,000 per claim and a $1,000,000 employee lifetime limit. Worker's compensation expense provision for 1996 amounted to $229,000. The Commission's hospitalization self-insurance provision in excess of the employee contributions for 1996 amounted to approximately $645,000 and is included in payroll related expenses. The Institute maintains a $100,000 letter of credit with a financial institution to support its participation in the program.

ARTHUR ANDERSEN

April 2, 1997

Arthur Andersen LLP

Suite 4500
201 St Charles Avenue
New Orleans LA 70170-4500
504 581 5454

To the Board of Directors
of the Audubon Institute, Inc.:

As part of our audit of the financial statements of the Audubon Institute (the Institute) for the year ended December 31, 1996, we considered the Institute's internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. While our primary purpose in this engagement was not to provide assurances on the internal control structure, we noted certain matters that we want to bring to your attention. These matters are described in the accompanying memorandum.

This letter and the accompanying memorandum are intended solely for the use of management and the Board of Directors and is not intended for any other purpose.

We appreciate the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss the recommendations in greater detail or otherwise assist in their implementation at your convenience.

Very truly yours,

Arthur Andersen LLP

AUDUBON COMMISSION

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Debt service applicable to the limited tax bonds is held by the Board of Liquidation, City Debt. No bonds may be sold without approval of the Board of Liquidation. Property taxes levied by the City of New Orleans and dedicated to the payment of these limited tax bonds are collected by the City of New Orleans and, as required by law, paid to the Board of Liquidation as collected. The millages for these limited tax bonds were established at the time the bonds were issued, based upon the approval of the voters. The property taxes are recorded as non-operating revenue for the appropriate fund.

Debt service for the revenue bonds is funded by the revenues generated by the Aquarium and Riverfront Park enterprise fund.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The Commission is in compliance with all such significant limitations and restrictions at December 31, 1996.

Debt service requirements on all bonds outstanding as of December 31, 1996, including interest payments of approximately $50,098,000, are as follows.

Year(s) Ending December 31,	Limited Tax Bonds	Revenue Bonds	Total
1997	$ 4,224,552	$ 1,664,750	$ 5,889,302
1998	4,240,423	1,629,750	5,870,173
1999	4,244,743	1,693,000	5,937,743
2000	4,243,225	1,648,000	5,891,225
2001	4,240,675	1,700,000	5,940,675
2002 - 2006	21,181,860	8,304,000	29,485,860
2007 - 2011	21,181,800	8,228,000	29,409,800
2012 - 2016	21,224,790	1,620,000	22,844,790
2017	3,863,700	-	3,863,700
	$ 88,645,768	$26,487,500	$115,133,268

A certain Endowment Income Trust Fund loaned the Commission $725,000 in 1979 and $500,000 in 1982 for capital improvements within the Audubon Park and Zoo. The loans are structured similarly and include interest at 5%. Each loan is to be repaid annually from 50% of any operating surplus, excluding any intergovernmental revenues. Amounts not repaid after 25 years are to be forgiven by the lender. The 1982 agreement also requires a minimum annual payment of $25,000 commencing January 1, 1992. Accordingly, the Commission has recorded a repayment liability of $895,836 at December 31, 1996 which includes accrued interest. No repayment liability has been recorded under the 1979 loan agreement due to the contingent nature of the agreement.

5. RETIREMENT SYSTEM:

Employees of The Audubon Institute, Inc. providing services for the Commission in accordance with the terms of the management agreements may participate on an optional basis in a tax-deferred annuity plan established by the Institute for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Participating employees contribute between 2% and 11% of their salary, not to exceed $9,500, and with the Commission, through the management agreement with the Institute, matches employee contributions at a rate of 50%, up to 4% of base salary. The retirement expense provision for 1996 amounted to approximately $354,000.

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1996

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1996	Memorandum Only 1995
OPERATING REVENUES:							
Charges for services	$14,802,316	$ 6,890,994	$454,237	$ -	$ 410,760	$22,558,307	$19,707,590
Miscellaneous	276,823	97,821	-	10,000	3,725	388,369	355,994
Total operating revenues	15,079,139	6,988,815	454,237	10,000	414,485	22,946,676	20,063,584
OPERATING EXPENSES:							
Salaries and benefits	6,187,056	5,357,578	168,179	398,924	304,378	12,416,115	11,065,159
Contractual services	4,381,767	2,555,602	146,128	198,404	153,007	7,434,908	5,727,958
Materials and supplies	1,975,374	1,732,994	36,912	54,652	77,341	3,877,273	3,488,563
Depreciation and amortization	2,884,371	666,065	42,007	246,740	169,109	4,008,292	3,068,051
Other	114,113	162,113	-	2,949	911	280,086	257,668
Total operating expenses	15,542,681	10,474,352	393,226	901,669	704,746	28,016,674	23,607,399
OPERATING INCOME (LOSS)	(463,542)	(3,485,537)	61,011	(891,669)	(290,261)	(5,069,998)	(3,543,815)
NON-OPERATING REVENUES (EXPENSES):							
Audubon Institute grants for capital projects and education	326,274	3,710,403	-	1,892,619	143,446	6,072,742	8,773,178
Dedicated tax revenues	5,294,891	566,660	-	-	-	5,861,551	5,623,753
Interest expense	(4,007,568)	(176,600)	-	-	-	(4,184,168)	(4,276,735)
Intergovernmental grants for capital projects	1,029,177	594,219	-	-	-	1,623,396	554,367
Grant expenses	(55,000)	(50,000)	-	(6,275)	(94,725)	(206,000)	(179,670)
Interest income	709,480	40,303	-	250,008	55,200	1,054,991	1,276,758
Amortization - debt costs	(162,401)	-	-	-	-	(162,401)	(162,401)
Other	(308,284)	(48,534)	-	-	-	(356,818)	-
Total non-operating revenues	2,826,569	4,636,451	-	2,136,352	103,921	9,703,293	11,609,250
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,363,027	1,150,914	61,011	1,244,683	(186,340)	4,633,295	8,065,435
OPERATING TRANSFERS IN (OUT):							
Operating transfers in	-	2,100,000	-	205,000	-	2,305,000	1,980,000
Operating transfers out	(2,305,000)	-	-	-	-	(2,305,000)	(1,980,000)
Total operating transfers	(2,305,000)	2,100,000	-	205,000	-	-	-
NET INCOME (LOSS)	58,027	3,250,914	61,011	1,449,683	(186,340)	4,633,295	8,065,435
RETAINED EARNINGS, beginning of year	31,742,646	12,502,657	159,289	14,996,735	1,483,166	60,884,493	52,819,058
RETAINED EARNINGS, end of year	$31,800,673	$15,753,571	$220,300	$16,446,418	$1,296,826	$65,517,788	$60,884,493

The accompanying notes are an integral part of this statement.

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AUDUBON COMMISSION

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 1996

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

Release Date MAY 21 1997

INDEPENDENT AUDITORS' REPORT

To the Audubon Commission
New Orleans, Louisiana:

We have audited the accompanying general purpose financial statements of Audubon Commission (the Commission), a component unit of the City of New Orleans, as of and for the year ended December 31, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We have previously audited and reported on the financial statements for the preceding year (see Note 1).

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision) 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Commission's internal control structure and a report on its compliance with laws and regulations, both dated April 2, 1997.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commission, a component unit of the City of New Orleans. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Arthur Andersen LLP

New Orleans, Louisiana,
April 2, 1997

AUDUBON COMMISSION

COMBINED BALANCE SHEET

AS OF DECEMBER 31, 1996 AND 1995

	Memorandum Only 1996	1995
	(Note 1)	
CURRENT ASSETS:		
Cash and temporary investments (Notes 1 and 2)	$ 302,255	$ 415,311
Accounts receivable, net of allowance for uncollectible accounts of $93,000 and $107,000 in 1996 and 1995, respectively	1,081,003	1,155,332
Accrued interest receivable	68,833	86,259
Due from other funds	867,056	1,679,983
Inventory (Note 1)	355,128	345,874
Prepaid expenses	774,836	769,891
Total current assets	3,449,111	4,452,650
RESTRICTED ASSETS (Notes 1 and 2):		
Due from Audubon Institute for capital improvements (Note 6)	629,241	1,837,077
Debt service accounts	4,501,716	4,496,267
Operation and maintenance reserve accounts	2,289,510	2,105,383
Accounts receivable for capital improvements	2,839,250	554,367
Capital improvements accounts	-	17,919
Total restricted assets	10,259,717	9,011,013
PROPERTY AND EQUIPMENT (Note 1):		
Land	950,000	950,000
Buildings and fixed exhibitry	117,308,718	100,562,644
Construction in progress	2,141,238	14,113,223
Equipment	9,820,839	7,530,233
Less: accumulated depreciation	(22,283,508)	(18,445,473)
Net property and equipment	107,937,287	104,710,627
OTHER ASSETS (Note 3):		
Prepaid rent - Dock Board	10,421,020	10,536,820
Investment - Riverfront Economic Development Agreement	1,770,141	1,826,125
Unamortized bond issue cost	660,689	626,239
Total other assets	12,851,850	12,989,181
Total assets	$ 134,497,965	$ 131,163,474

The accompanying notes are an integral part of this financial statement.

AUDUBON COMMISSION

COMBINED BALANCE SHEET

AS OF DECEMBER 31, 1996 AND 1995

	Memorandum Only 1996 (Note 1)	1995
CURRENT LIABILITIES:		
Due to The Audubon Institute (Note 6)	$ 961,166	$ 258,558
Accounts payable and other accrued liabilities	3,649,052	4,525,599
Due to other funds (Note 6)	867,056	1,160,450
Total	5,477,274	5,944,607
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):		
Accrued interest	303,063	299,958
Bonds payable (Note 4)	1,840,000	1,775,000
Construction payables	799,847	2,210,070
Due to other funds	-	519,533
Total (payable from restricted assets)	2,942,910	4,804,561
Total current liabilities	8,420,184	10,749,168
LONG-TERM LIABILITIES:		
Bonds payable (Note 4)	61,596,512	60,723,304
Less: unamortized discount	(1,932,355)	(2,064,324)
Other (Note 4)	895,836	870,833
Total long-term liabilities	60,559,993	59,529,813
Total liabilities	68,980,177	70,278,981
RETAINED EARNINGS:		
Reserved	2,289,510	2,105,383
Unreserved	63,228,278	58,779,110
Total retained earnings	65,517,788	60,884,493
Total liabilities and retained earnings	$ 134,497,965	$ 131,163,474

The accompanying notes are an integral part of this financial statement.

AUDUBON COMMISSION

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	Memorandum Only 1996	1995 (Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) from operations	$ (5,069,998)	$ (3,513,815)
Adjustments to reconcile to cash provided (used) by operations-		
Depreciation and amortization	4,008,292	3,068,051
Accounts receivable and other current assets	60,130	(661,449)
Advances (to) from other funds, net	1,412,002	627,993
Accounts payable and other current liabilities	(876,548)	(13,359)
Cash (used) by operations	(466,122)	(522,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grants from Audubon Institute for capital projects and education	6,072,742	8,773,177
Payments for project design, construction and purchase of equipment	(8,837,657)	(20,176,170)
(Increase) decrease in restricted assets	(1,958,097)	10,002,920
Dedicated tax revenues	5,861,551	5,623,753
Interest paid	(4,037,909)	(4,125,507)
Payment of bond principal	(1,800,000)	(1,645,000)
Interest income	1,072,416	1,245,391
Intergovernmental and other grants	1,623,396	554,367
Grant expenses	(206,000)	(179,670)
Bond issue proceeds	4,450,176	-
Defease zoo bonds	(1,943,534)	-
Other	55,982	52,531
Cash provided by capital and related financing activities	353,066	125,845
Net (decrease) in cash and cash equivalents	(113,056)	(396,734)
CASH AND TEMPORARY INVESTMENTS, beginning of year	415,311	812,045
CASH AND TEMPORARY INVESTMENTS, end of year	$ 302,255	$ 415,311

The accompanying notes are an integral part of this financial statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Information

Audubon Park is located on a 400-acre tract within the City of New Orleans (the City) that includes the Audubon Zoo, trails for jogging, biking and horseback riding, an 18-hole golf course and numerous athletic fields. Act 83 passed by the Louisiana Legislature in 1871 authorized the Board of Park Commissioners to acquire the land which is now known as Audubon Park. In 1914, the Legislature passed Act 191 which created a Commission to be entrusted with the management and control of Audubon Park. Act 191, as amended, is the current authority for the present Audubon Park Commission (the Commission) which is composed of 24 members who are appointed by the Mayor with the approval of the City Council. Each member serves a six-year term, with four members' terms expiring each year. The Commission is considered a component unit of the City of New Orleans (the City) and is included in the City's annual financial statements. On January 1, 1996, the Commission's name was changed from Audubon Park Commission to Audubon Commission effective with the City's adoption of amendments to its Home Rule Charter.

On November 4, 1986, City voters approved the levy of a three and four-fifths (3-4/5) mills property tax to finance the construction and certain operating expenses of the Aquarium of the Americas. The vote was taken pursuant to Act No. 309, passed by the Louisiana Legislature earlier in 1986, which provided that the Commission would develop, construct and operate the Aquarium and authorized the City to levy and collect the aforementioned ad valorem tax, subject to voter approval, on behalf of the Commission. The City acts through the Commission in the issuance of the bonds authorized by Act 309, and through the Board of Liquidation, City Debt, in the sale of its bonds. Construction of the Aquarium of the Americas and Riverfront Park was begun in 1987 and the bonds (Audubon Park Commission Aquarium Bonds, Series 1988-$25,000,000) were issued in 1988. Construction was completed and the Aquarium was opened to the public in September, 1990. Phase II of the Aquarium was completed in 1995.

On June 1, 1990, the Commission and the City entered into an agreement for the construction and operation of a Wilderness Park and Species Survival Center on approximately 64 acres of property owned by the City. The agreement requires an annual payment to the City's General Fund of one dollar ($1.00) per year for a period of fifty (50) years, commencing on May 1, 1990 and terminating on February 28, 2040. The Audubon Center for Research of Endangered Species is located adjacent to the Species Survival Center on 986 acres of U.S. Coast Guard property. The Coast Guard has granted the Commission a 25-year land use license which includes a 25-year renewal term. Improvements completed on this site by the Commission and the Institute include a 36,000 square-foot research laboratory.

Effective October 1, 1994 the Audubon Park Commission received assignment of a facility lease by the Society for Environmental Education (as lessee) with the City of New Orleans (as lessor). The Society does business as the Louisiana Nature Center.

The Commission has contractual management agreements with The Audubon Institute, Inc. (the "Institute"), a non-profit organization, under which the Institute manages and operates the Commission facilities located at the Audubon Park and Zoo, the Aquarium, the Species Survival Center and the Louisiana Nature Center. The Institute employs individuals to operate and maintain the Commission's facilities; however, all operating revenues and expenses, including salary expense, related to these facilities are recorded in the records of the related facility. The Institute also supports the Commission financially through specific donations received and grants obtained by the Institute for operations or capital improvements of Commission facilities.

The accounting and reporting policies of the Commission conform to generally accepted accounting principles applicable to governmental units. Significant accounting policies are summarized below.

A. Basis of Presentation - Fund Accounting

The proprietary fund is used to account for the Commission's ongoing operations and activities which are similar to those often found in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in net total assets. The Commission maintains one proprietary fund type - the enterprise fund.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance. Five individual enterprise funds are used to account for the operations of the "Aquarium and Riverfront Park," the "Audubon Golf Course," the "Audubon Zoo and Park," the "Species Survival Center" and the "Louisiana Nature Center." The operations of the Audubon Center for Research of Endangered Species are included with the accounts of the Species Survival Center.

B. Basis of Accounting

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

Enterprise funds prepare financial statements on the accrual basis of accounting. Property taxes are recorded as non-operating revenue as collected by the Commission's agent.

C. Restricted Assets

Restricted assets are maintained in the applicable enterprise fund in accordance with bond indentures. This category is also used to report amounts receivable from public agencies in connection with the funding of capital projects.

D. Investments

Investments are stated at cost or amortized cost.

E. Inventory

Supplies inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

F. Property and Equipment

Property and equipment are recorded at estimated historical cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives (ranging from 10 - 35 years for buildings and fixed exhibitry and 8 years for equipment) of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized. In 1996, the Commission re-evaluated the realizability of its capitalized project expenditures related to a proposed Insectarium and decided to write off approximately $308,000 of these expenditures. In addition, the Commission transferred its investment in this project, approximately $648,000, to the Institute in partial settlement of its intercompany payable to the Institute.

G. Vacation and Sick Leave

Annual leave and sick leave liabilities are accrued when earned in the enterprise funds ($659,000 at December 31, 1996) and are reported in accounts payable and accrued liabilities in the combined balance sheet.

H. Reserves

Reserves are reported in the various funds to indicate that a portion of the retained earnings is not appropriable for expenditures or is legally segregated for a specific future use.

I. Total Columns on Combined Statements

The total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This column does not present financial position, results of operations, or cash flows, in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made. Reclassifications of certain 1995 amounts have been made to conform with 1996 report captions.

J. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the enterprise funds consider all investments with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents at December 31, 1996 consisted of unrestricted cash and investments of $302,255.

K. Budgeting

Operating and capital expenditure budgets are adopted by the Commission on a basis consistent with generally accepted accounting principles. This budgetary information is employed as a management control device during the year.

AUDUBON COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	Memorandum Only 1996	(Note 1) 1995
OPERATING REVENUES:		
Charges for services	$ 22,558,307	$ 19,707,590
Miscellaneous	388,369	355,994
Total operating revenues	22,946,676	20,063,584
OPERATING EXPENSES:		
Salaries and benefits	12,416,115	11,065,159
Contractual services	7,434,908	5,727,958
Materials and supplies	3,877,273	3,488,563
Depreciation and amortization	4,008,292	3,068,051
Other	280,086	257,668
Total operating expenses	28,016,674	23,607,399
OPERATING (LOSS)	(5,069,998)	(3,543,815)
NON-OPERATING REVENUES (EXPENSES):		
Audubon Institute grants for capital projects and education (Note 6)	6,072,742	8,773,178
Dedicated tax revenues	5,861,551	5,623,753
Interest expense	(4,184,168)	(4,276,735)
Intergovernmental grants for capital projects	1,623,396	554,367
Grant expenses	(206,000)	(179,670)
Interest income	1,054,991	1,276,758
Amortization - debt costs	(162,401)	(162,401)
Other (Note 1F)	(356,818)	-
Total non-operating revenues	9,703,293	11,609,250
INCOME BEFORE OPERATING TRANSFERS	4,633,295	8,065,435
OPERATING TRANSFERS IN (OUT):		
Operating transfers in	2,305,000	1,980,000
Operating transfers out	(2,305,000)	(1,980,000)
Total operating transfers	-	-
NET INCOME	4,633,295	8,065,435
RETAINED EARNINGS, beginning of year	60,884,493	52,819,058
RETAINED EARNINGS, end of year	$ 65,517,788	$ 60,884,493

The accompanying notes are an integral part of this financial statement.

4. BONDS AND NOTES PAYABLE:

Bonds payable at December 31, 1996 are comprised of the following:

Description	
Limited tax bonds:	
6.10% to 6.30% Audubon Park Commission Aquarium Bonds, Series 1993, due in annual installments of $1,215,000 to $3,645,000 through October, 2017	$45,835,000
5.00% to 6.50% Audubon Commission Improvement and Refunding Bonds, Series 1997, due in annual installments of $125,000 to $365,000 through December, 2016	4,500,000
Revenue bonds:	
7.00% to 8.00% 1992 Audubon Park Commission Aquarium Revenue Bonds, Series 1992A, due in annual installments of $500,000 to $1,500,000, through April, 2012	14,700,000
Deferred loss on refinancing, being amortized	(1,598,488)
	63,436,512
Less: Current maturities	1,840,000
	$61,596,512

On January 1, 1993, the Commission issued $50,925,000 Audubon Park Commission for the City of New Orleans Aquarium Bonds, Series 1993 with an average interest rate of 6.25%, to (i) advance refund $23,455,000 principal amount of outstanding Aquarium Bonds, Series 1988 maturing October 1, 1993 to October 1, 2008 with an average interest rate of 8.11%; (ii) finance further construction, extension and improvement of the Aquarium and related facilities; (iii) fund certain reserves; and (iv) pay costs of issuance of the Bonds. The Bonds are special and limited obligations of the City payable from and secured solely by the proceeds of a special ad valorem tax. The tax is being levied at the rate of four and eleven-hundredths (4.11) mills. $26,050,024 of the proceeds from the 1993 Series bonds were used to purchase U. S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the 1988 Series bonds. As a result, the 1988 Series bonds are considered to be defeased and the liability for these bonds has been removed from the balance sheet. The reacquisition price of the 1988 Series bonds exceeded its net carrying amount by $2.1 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2008 using the straight-line method. Series 1988 Bonds remaining outstanding at December 31, 1996 total $19,745,000.

In December 1996 the Commission received a commitment to purchase its $4,500,000 Improvement and Refunding Bonds, Series 1997. Those bonds were delivered in 1997. The proceeds of the issue were used to advance refund $1,895,000 in Series 1979 and 1988 Improvement Bonds, and provide $2.5 million for capital improvements at Audubon Zoo. The advance refunding included escrowing $1,943,500 into irrevocable trust to provide for future debt service on the defeased bonds. The refunding resulted in a loss of approximately $48,000 which was recorded as an other expense item in the nonoperating section of the Zoo's income statement. Series 1979 and 1988 bonds outstanding at December 13, 1996 were $1,035,000 and $860,000, respectively.

2. CASH ON DEPOSIT AND TEMPORARY INVESTMENTS:

A. Cash On Deposit and Time Certificates of Deposit

The carrying amount of the Commission's deposits at banks at December 31, 1996 was $180,707 (excluding $77,025 of cash on hand), and the bank balance was $621,872. The Commission's bank balance is categorized below to give an indication of the level of risk assumed by the Commission at year-end.

Category 1 includes insured or collateralized cash with securities held by its agent in the Commission's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or its agent in the Commission's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name. At December 31, 1996, $116,672 and $505,200 of the Commission's cash was Category 1 and Category 2 level of risk, respectively.

B. Investments

The Commission's investments are restricted in accordance with the revenue bond indenture. The carrying values and market values of the Commission's investments as of December 31, 1996 were approximately $6,835,700 and $6,889,400, respectively. At December 31, 1996, all the Commission's investments are Category 2 level of risk which includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Commission's name.

3. OTHER ASSETS:

On April 30, 1992, the Commission, the City and the Board of Commissioners of the Port of New Orleans (the "Port") entered into an agreement titled "Riverfront Economic Development Agreement" (the "Agreement") under which the Commission paid $13,000,000 ($11,000,000 from the sale of the Commission's Aquarium Revenue Bonds, Series 1992A, and $2,000,000 from self-generated funds of the Commission) to the Port. In consideration for the $11,000,000 payment, the Commission was relieved of all rents or fees due for occupancy pursuant to an agreement with the Port dated October 23, 1987 that provided for the development and occupancy of an aquarium and related facilities by the Commission over the 99-year term of the agreement. The $11,000,000 payment has been set up as prepaid rent and is being amortized over the remaining term of the agreement.

In consideration for the $2,000,000, the City, which became the sole owner of the Rivergate Facility under the agreement, agreed to transfer and assign the second $200,000 of annual net income from the parking facilities at the Rivergate to the Commission for twenty years beginning with the 1992 calendar year. In the event parking operations are discontinued at the Rivergate, the agreement provides for the City to make a lump sum payment to the Commission for the remaining payments discounted at seven percent, or to continue to pay the $200,000 annually in monthly installments of $16,666. As payments are received from the City, this receivable, carried in Other Assets, will be reduced for that portion of the payment representing return of principal, with the balance credited to interest income.

Unamortized bond issue costs represent costs incurred in the issuance of the revenue bonds and the limited tax bonds (Note 4). These costs are being amortized over the life of the bonds.