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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Financial Statements and Schedule

September 30, 1997 and 1996

With Independent Auditors' Report Thereon

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: APR 15 1998

NEW ORLEANS CITY TREE IMPROVEMENT ASSOCIATION

Financial Statements

December 30, 1987 and 1988

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Independent Auditors' Report

The Board of Commissioners
New Orleans City Park Improvement Association

We have audited the balance sheets of New Orleans City Park Improvement Association (the Park) as of September 30, 1997 and 1998, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans City Park Improvement Association as of September 30, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 1999 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The 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.

KPMG Peat Marwick LLP

January 28, 1999

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Balance Sheets

September 30, 1997 and 1996

BALANCE	1997	1996
Current assets:		
Cash:		
Restricted	\$ 485,267	575,149
Unrestricted	<u>35,580</u>	<u>33,181</u>
Total cash and cash equivalents (Note 2)	497,475	608,401
Investments (Note 2)	747,889	825,888
Receivables:		
Friends of City Park	48,183	3,791
Other	145,455	148,455
Investment	158,898	134,129
Prepaid expenses and other assets	<u>228,182</u>	<u>213,642</u>
Total current assets	2,681,989	2,736,197
Fixed assets, net (notes 3, 4, 5 and 7)	<u>8,129,414</u>	<u>8,118,222</u>
	\$ <u>10,811,403</u>	\$ <u>8,854,419</u>
<u>Liabilities and Fund Equity</u>		
Current liabilities:		
Notes payable - current (note 4)	77,443	73,887
Current portion of capital leases payable (Note 7)	60,871	87,985
Accounts payable - trade	425,891	447,465
Accrued salaries	175,428	133,025
Deferred income	144,845	373,829
Accrued vacation leave	282,761	223,238
Other liability	<u>175,474</u>	<u>168,089</u>
Total current liabilities	1,809,898	1,456,428
Notes payable (note 4)	74,484	182,325
Capital leases payable (note 7)	<u>88,827</u>	<u>82,388</u>
Total liabilities	1,973,209	1,721,141
Fund equity:		
Contributed capital (notes 2 and 5)	<u>6,389,130</u>	<u>6,712,420</u>
Retained earnings:		
designated (note 5)	381,148	581,166
Unreserved, undesignated	<u>1,185,271</u>	<u>853,125</u>
Total retained earnings	1,566,419	1,434,291
Total fund equity	7,955,549	8,146,711
Commitments (notes 3, 4 and 7)	<u> </u>	<u> </u>
	\$ <u>10,811,403</u>	\$ <u>8,854,419</u>

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statement of Revenue, Expense
and Changes in Retained Earnings

For the years ended September 30, 1997 and 1996

	1997	1996
Operating revenues:		
Amusements and other events	\$ 3,944,338	3,993,498
Boating and fishing	38,884	38,200
Casino, catering, and restaurant revenue	2,078,210	2,463,819
Driving range	759,781	506,117
Golf cart rentals	948,780	818,480
Golf course fees	3,932,088	3,788,714
Horticulture, grounds and pavilions	647,451	423,538
Quadplexes rentals and concessions	311,488	375,343
Stadium rentals and concessions	482,419	377,468
Tennis fees and shop sales	383,789	387,150
Toy Haven	55,830	-
	<u>2,265,000</u>	<u>2,265,148</u>
Total operating revenues		
Operating expenses:		
Amusements and other events	2,378,341	2,214,779
Boating and fishing	73,484	85,810
Casino, catering, and restaurant expense	3,080,320	3,818,427
Depreciation	872,322	813,715
Driving range	313,356	258,518
General park	3,199,797	3,821,318
Golf cart operations	181,416	184,188
Golf course	3,688,656	3,587,000
Horticulture and grounds	581,388	502,228
Quadplexes	323,437	399,666
Stadium	388,607	393,114
Tennis	283,773	388,408
Toy Haven	78,485	-
	<u>18,178,874</u>	<u>9,223,384</u>
Total operating expenses		
Net operating loss	<u>(174,844)</u>	<u>(158,236)</u>
Nonoperating income (expense):		
Interest income	51,888	26,938
Other contributions, royalties and revenue	83,483	283
Interest expense	<u>(127,861)</u>	<u>(24,211)</u>
Total nonoperating income (expense)	<u>8,510</u>	<u>2,010</u>
Net loss	(166,334)	(160,246)
Add Depreciation on contributed fixed assets	<u>381,712</u>	<u>395,514</u>
Increase in retained earnings	215,378	235,268
Retained earnings at beginning of year	<u>3,426,462</u>	<u>3,221,492</u>
Retained earnings at end of year	\$ <u>3,641,840</u>	\$ <u>3,456,760</u>

(See accompanying notes to financial statements.)

NEW DELAWARE CITY PARK IMPROVEMENT ASSOCIATION

Statements of Cash Flows

For the years ended September 30, 1987 and 1988

	<u>1987</u>	<u>1988</u>
Cash flows from operating activities:		
Cash received from user fees and other park activities	\$ 8,182,210	8,184,889
Cash payments to suppliers for goods and services and to employees for services	(7,198,281)	(8,583,485)
Net cash provided by operating activities	<u>983,929</u>	<u>601,404</u>
Cash flows from capital and related financing activities:		
Contributions by others for capital improvements	378,204	388,858
Acquisition and construction of capital assets	(891,894)	(981,728)
Proceeds of notes payable, net	-	(23,342)
Payment of notes payable and capital leases interest paid on notes payable and capital leases	(109,112)	-
	<u>(622,792)</u>	<u>(616,212)</u>
Net cash used in capital and related financing activities	<u>(638,863)</u>	<u>(237,818)</u>
Cash flows from investing activities:		
Purchase of investments	(155,889)	(282,342)
Maturities of investments	254,148	-
Interest on investments	92,888	28,038
Repairs and contributions	(22,482)	228
Net cash provided by (used in) activities	<u>67,665</u>	<u>(254,276)</u>
Net increase (decrease) in cash and cash equivalents	345,066	(173,177)
Cash and cash equivalents at beginning of the year	<u>533,234</u>	<u>1,012,111</u>
Cash and cash equivalents at end of the year	<u>\$ 8,778,200</u>	<u>838,934</u>
Reconciliation of cash and cash equivalents (page 2):		
Cash	497,875	388,421
Investments	<u>787,889</u>	<u>443,455</u>
	1,285,764	1,239,277
Less those investments with a maturity greater than three months	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>\$ 2,855,764</u>	<u>239,277</u>
Noncash capital and financing activities transactions:		
During 1987 and 1988, the Park entered into various capital lease transactions totaling \$104,388 and \$125,245, respectively.		
During fiscal year 1988, the Park received title to donated land and mineral rights totaling \$1,814,800.		

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Cash Flows, Continued

	1997	1998
Reconciliation of net operating loss to net cash provided by operating activities are as follows:		
Net operating loss	\$ (158,840)	\$ (82,388)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	472,512	625,710
Increase in receivables	(209,324)	(2,879)
Decrease (increase) in inventories	128,410	589
Increase (decrease) in prepaid expenses	(44,388)	439,512
Increase (decrease) in trade payables and other liabilities	385,418	(451,557)
Increase (decrease) in accrued income	(289,408)	(99,677)
	<u>58,820</u>	<u>150,500</u>
Net cash provided by operating activities	<u>\$ 40,000</u>	<u>\$ 68,112</u>

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

September 30, 1997 and 1996

101 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 1890, Act 84 of 1870 was repealed and Act 110 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 88 of 1888 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 12 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 employees and benefits.

(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

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present revenues (e.g., revenues) and expenses (e.g., expenses) in net total assets. The Park applies all applicable GASB pronouncements in accounting and reporting for its proprietary fund operations based 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 collection in the Park, are recorded as deferred revenue.

(8) Investments

Investments are stated at cost. 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.

(9) Inventory

Inventory, consisting primarily of equipment and catering supplies, are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

(10) 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.

(11) Accrual Liabilities

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

(12) 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, Quarterplex Convention Building, Soccer Fields, Quarterplex Betting Cage 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.

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

(4) Cash Flows

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

(5) Cash and Cash Equivalents and Investments

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

	1987	1986
Cash in banks and certificates of deposit	\$ 499,117	382,821
Cash held at Greater New Orleans Foundation	71,358	-
Investments - U.S. treasury securities	<u>742,388</u>	<u>545,854</u>
Total cash, cash equivalents and investments	\$ <u>1,312,863</u>	<u>1,019,675</u>

Cash - The bank balances of cash and certificates of deposit, as reflected by the bank's records totaled \$499,117 and \$382,821 at September 30, 1987 and 1986, 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, 1987 are as follows:

	Restricted Cash	Restricted Investments	Total
1987:			
Flagpost	\$ 13,508	-	13,508
Quadrangle Betting Cages	-	48,408	48,408
Kilco Field	-	24,178	24,178
Casino Building	-	288,538	288,538
Stadium	-	<u>38,841</u>	<u>38,841</u>
	\$ <u>13,508</u>	<u>389,965</u>	<u>503,473</u>
1986:			
Flagpost	23,180	-	23,180
Quadrangle Betting Cages	-	68,233	68,233
Kilco Field	-	24,177	24,177
Quadrangle Convention Building	-	87,483	87,483
Casino Building	-	243,798	243,798
Female Moor	-	17,589	17,589
Botanical Garden	-	24,188	24,188
RODOLPH Fields	-	48,408	48,408
Ted Morley Maintenance	-	<u>18,085</u>	<u>18,085</u>
	\$ <u>23,180</u>	<u>582,882</u>	<u>606,062</u>

Investments - The Park's investments are categorized below to give an indication of the level of risk assumed by the Park at year-end.

(Continued)

NEW ORLEANS CITY RACE IMPROVEMENT ASSOCIATION

Notes to Financial Statements

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.

1987	Cost	Unrealized gain	Unrealized loss	Market value	Category
U.S. treasury bills and notes	\$ 127,321	2,332	-----	129,653	1
1988					
U.S. treasury bills and notes	\$ 126,326	2,821	-----	129,147	1

10) Fixed Assets

The fixed assets of the Park as of September 30, 1987 and 1988 are as follows:

	1987	1988	Estimated useful life (years)
Amusement equipment	\$ 2,851,894	2,827,356	5 - 10
Gardens	2,203,078	2,285,890	5 - 10
trucks and other equipment	1,244,948	1,245,940	5 - 10
Softball quadrangle	1,444,328	1,444,179	5 - 20
Administration building	825,480	788,144	3 - 20
casino Island - land	694,000	694,000	-
Boats Island - mineral rights	378,000	350,000	5
Casino/Casino/Casino	612,887	608,487	5 - 10
golf equipment	618,480	593,242	3 - 20
Tennis center	448,000	428,348	5 - 20
Stadium	178,328	143,728	5 - 20
Construction in progress	288,420	128,348	-
most equipment	42,771	42,771	5 - 10
General park	85,883	12,052	5 - 10
	<u>12,194,896</u>	<u>12,442,952</u>	
less accumulated depreciation	<u>4,044,782</u>	<u>3,527,440</u>	
fixed assets, net	\$ 8,150,114	\$ 8,915,512	

Construction in progress of \$288,420 as of September 1987 consists of \$88,181 expended for the winner field, \$94,748 expended for the administration building, \$93,914 expended for the casino building, \$25,480 expended for carousel restoration, \$18,345 expended for the main track improvements, \$20,392 expended for the maintenance complex

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

improvements, \$89,360 expended for the garden building, \$11,361 expended for the Delory house, \$12,588 expended for the amusement office, and \$1,792 expended for the Esplanade Forest.

construction in progress of \$158,944 as of September 30, 1998 consists of \$14,145 expended for Legends Shopping, \$23,832 expended for the administration building, \$32,795 expended for the Casino Building, \$11,404 expended for the soccer field, \$26,974 expended for electrical work in the Botanical Gardens, and \$14,000 for other small projects.

As of September 30, 1997, Ted Gormley, Inc. owed approximately \$56,000 to contractors for final payments related to the Ted Gormley Stadium's renovation in 1992. Although the Park is not directly liable for this amount, the potential for indirect liability does exist. These renovations have not been capitalized by the Park as the costs are not recoverable.

140 NOTE PAYABLE

Note payable at September 30, 1997 and 1998 consists of the following:

	<u>1997</u>	<u>1998</u>
6.25% note payable in regular monthly payments of \$7,083, including interest, beginning September 3, 1995, with final payment on August 3, 1999. Collateralized by selected revenues from concession contracts and revenues from the operations of the City Park Softball Complex.	\$ 182,326	229,210
less current portion	<u>57,640</u>	<u>37,887</u>
Long-term portion	\$ <u>124,686</u>	<u>191,323</u>

Maturities of the note payable as of September 30, 1997 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 12,442	7,475	19,917
1999	78,884	2,328	81,212

151 Contributed Capital

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

Period ended	Beginning of year	Fixed asset additions	(Association)	End of year
1998	\$ 8,448,614	1,384,988	(288,824)	9,717,698
1997	6,717,618	376,204	(138,712)	6,988,230

Included in the fixed asset additions are \$148,104 and \$47,427 contributed to the Park by the Friends of City Park in 1997 and 1998, respectively. Friends of City Park is a not-for-profit organization that assists the Park in fund raising and community activities.

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

16) Operating Leases

The Park leases certain facilities to various lessees under renewable operating lease agreements. Minimum future lease payments receivable as of September 30, 1987, are as follows:

1988	\$ 78,880
1989	88,328
1990	48,880
1991	48,880
1992	47,180
Thereafter	<u>1,111,828</u>

In addition, the Park leases Pan American Stadium to the Orleans Parish School Board under an operating lease expiring in 1992. The lease payments are \$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, 1987 and 1986 was \$124,848 and \$128,348, respectively. The remaining minimum future payments due under this agreement as of September 30, 1987 is for fiscal year 1988 for an amount of \$1,828.

17) 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 (title transfer at the end of the lease term) and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their acquisition. The cost of the equipment leased under capital leases as of September 30, 1987 and 1986 is \$331,774 and \$267,988, respectively. Accumulated depreciation on this equipment as of September 30, 1987 and 1986 is \$128,341 and \$128,354, 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 as September 30, 1987:

Fiscal year ending	
September 30:	
1988	\$ 18,888
1989	28,328
1990	<u>8,588</u>
Total minimum lease payments	122,788
Less amount representing interest	<u>7,418</u>
Present value of future minimum lease payments	115,378
Less current portion	<u>89,878</u>
Noncurrent portion of leases payable	\$ 25,500

(Continued)

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Notes to Financial Statements

(4) 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 each business year. 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 \$74,686 and \$58,007 to the deferred compensation plan in 1997 and 1998, respectively.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Schedule of Expenses

For the Years Ended September 30, 1997 and 1996

	1997	1996
Administrative	\$ 200,001	169,000
Advertising	45,000	40,000
Contributions in the form of supplies	104,000	100,000
Communications	30,000	40,000
Contract labor	400,000	110,000
Contract services	100,000	200,000
Cost of goods sold	1,200,000	1,100,000
Depreciation	600,000	600,000
Fuel	20,000	20,000
Gift taxonomic expense	50,000	50,000
Insurance	600,000	600,000
Other	50,000	50,000
Payroll	4,000,000	4,000,000
Payroll benefits	200,000	200,000
Repairs	50,000	50,000
Repairs and maintenance	500,000	400,000
Special events	100,000	50,000
Supplies	200,000	200,000
Telephone	40,000	50,000
Toy money	50,000	-
Uniforms	5,000	5,000
Utilities	100,000	100,000
Operating expenses	\$ 10,100,000	9,000,000

See accompanying independent auditors' report.

KPMG Peat Marwick LLP

Suite 2800 One Shell Square
New Orleans, LA 70119-2599

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, 1993, and have issued our report thereon dated January 26, 1998. 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 these 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 disbursements for unique reparation/renovation exceeded a cost of \$10,000 but were not advertised for bids as required by State regulations. 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 assure proper acquisition of materials and supplies as required.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a

condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, the Park's management and the Legislative Auditor's Office. However, this report is a matter of public record and its distribution is not limited.

KPMG Paul Marvick LLP

January 28, 1999

January 29, 1998

The Members of the Finance Committee
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, 1997, and have issued a report thereon dated January 28, 1998. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

This information is intended solely for the use of the Finance Committee of the Board of Commissioners, management and the State of Louisiana Legislative Auditor's Office. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

KPMG Peat Marwick LLP

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

SEPTEMBER 30, 1997

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, 1997, 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. These 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, except for the recording of investments held in a local foundation, 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 1997 financial statements.

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. 30, "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.

January 28, 1998

CONFIDENTIAL

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

Dear Commissioners and Members of the Board:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park) for the year ended September 30, 1997, and have issued our report thereon dated January 28, 1998. 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 general purpose 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 several matters involving internal control that are presented for your consideration. These concerns and recommendations, which have been discussed with the appropriate members of management, are intended to improve internal controls or result in other operating efficiencies and are summarized as follows:

Investments

Currently, the Internal Auditor oversees the purchases, substantiation and accounting for investments. During the year, another person reconciled the monthly investment status; however, this position is currently vacant. To increase independence of this position as well as to strengthen controls with the limited staff, several changes should be considered by management and the Board as follows:

- Board should adopt an investment policy that is reflective of actual investment activities and is in accordance with state law;
- someone other than the Internal Auditor should administer the Park's investments and authorized sales/maturities of investments should be approved by the Finance Director;

- a second approval involving a member of upper management for sales of investments should be required
- an approved list of signatures as well as what accounts to wire transfer funds to/from should be provided to the financial institutions used by the Park, and
- the Internal Auditor should review/sales investments on a test basis during the year.

Restricted Funds

During the audit, we became aware of investments of the Park which were not included in the Park's financial records nor its financial statements. A policy should be established by the Board that all funds received on funds deposited and held in the name of the Park are to be provided to the Finance Director to establish proper records, determine and account for the restrictions and ensure proper recording and safeguarding of all assets.

The records relating to the use and accumulation of such investments should be well maintained, with summaries of activities provided to the Finance Committee on a regular basis.

Inventory

Inventory test counts were performed at various Park sites during the audit. In the selection of 10 items from the Garden Old Shop, four discrepancies were noted. Three discrepancies were explained as a timing difference between recent sales and the updating of perpetual records; one discrepancy was a miscount due to misplaced merchandise.

The amount of the discrepancies were small in dollar value. Because of the large percentage in errors in items counted, we recommend Internal Audit perform/oversee periodic audits of the inventory on a test basis throughout the year.

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 verifications, bid compliance testwork, special events auditing, and other similar areas. The Board should consider relieving 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.

Measuring of Cash Overage/Shortage

The current policy of the Park is for Department managers to investigate cash overage and shortage amounts greater than \$25. However, Department managers do not seem to be adhering to the policy nor holding cashiers responsible for variances. Total overage/shortage amounts approximated \$2,000 in 1997. Also, the policy for investigating cash should be reviewed and updated. For example, the investigation threshold is the same in boating as it is for golf operations. Compliance with the final policy should be enforced.

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; ongoing 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.

RM Procedures

Certain disbursements for repair/restoration exceeded a cost of \$10,000 but were not advertised for bids as the Park considered casual 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.

Account Receivables

The Finance Department of the Park should perform all accounting related to Catering. Currently, Catering sends its own invoices and schedules its own events. Catering activities and related transactions have grown substantially and should be included in the Finance Department's oversight.

To improve verification of duties and strengthen financial oversight, the accountant for Catering should report to the Finance Department. Catering should provide the data to Finance to issue bills and monitor payment of bills. The Finance Department should send Catering regular reports of paid and unpaid balances and should reconcile events held to totals received and disbursements made for related events. Profit by event should be tracked and inventories should be reconciled monthly. A periodic listing of events held should be provided to the Finance Department.

Expense

In some instances, the prepaid account is not being relieved when the items such as T-shirts and caps are used. All balance sheet accounts should be reconciled to supporting documentation on a monthly basis.

Payment of Invoices

The determination of which invoices to pay is primarily a manual process; current accounts payable software provides a payment date function. We recommend that the Park utilize the payment date function in the accounts payable system. Use of the function would improve efficiency and ensure utilization of discounts.

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

We would be pleased to discuss this report with you at any time.

Very truly yours,

KPMG Part Merit LLP

Status of Prior Year Comments

STATE REGULATIONS

As a state agency, the Park is subject to various laws and regulations. However, because certain state laws and state agency policies do not apply to all state control 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.

Status: City Park's Board of Commissioners, through its Legal and Executive Committee, is proposing entering into a Management Agreement with the POCF to manage the operation, care, control, and management of the Park, pursuant to Act No. 885 of 1983, Act 269 of 1989, and Article VII, Section 14(C) of the Constitution of the State of Louisiana.

Entering into this Agreement will substantially eliminate the confusion as to which State laws and regulations apply to City Park and will allow the Park to operate more efficiently, particularly in the areas of personnel and procurement.

YEAR 2000

The year 2000 is a significant concern that most entities must address. Entities with more recent software have less of a concern. As the Park approaches the year 2000, it should undertake a documented assessment of its systems to determine if any issues exist and then develop a plan of action to address these issues.

Status: Done

PERFORMANCE BUDGETING

As an enhancement to the Park's budget process, management should consider developing a performance-based budget, expanding the current budget document to include the products/services that will be generated as a result of the expenditures provided to a department. The expanded process can be used to set performance standards that can be used by management to monitor their staff and their program toward the Park's goals, as well as assist in determining efficiency and effectiveness of departments.

The Park agreed with the comment and is in the initial stages of implementing the recommendation.

Status: City Park's management is proposing the hiring of a Food and Beverage consultant to assess the overall efficiency and profitability of its catering and concessions operations. The results of this study will be utilized to effectively begin the process of implementing "performance budgeting" to this area.