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NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Financial Statements and Schedule

September 30, 1998 and 1997

With Independent Auditors' Report Thereon

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

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KPMG

Suite 3500 One Shell Square
New Orleans, LA 70139 3599

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, 1998 and 1997, 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.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The Park has included such disclosures in Note 9. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Park's disclosures with respect to the Year 2000 issue made in Note 9. Further, we do not provide assurance that the Park is, or will be, Year 2000 ready, that the Park's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Park does business will be Year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, 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, 1998 and 1997, 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 25, 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

January 25, 1999

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Balance Sheets

September 30, 1998 and 1997

Assets		1998	1997
Current assets:			
Cash:			
Unrestricted	$	82,385	418,689
Restricted		3,226	13,508
Total cash and cash equivalents (note 2)		85,611	432,197
Investments substantially restricted (note 2)		1,230,850	747,989
Receivables:			
Friends of City Park		6,876	60,163
Other		155,696	340,408
Inventories		131,196	156,836
Prepaid expenses and other assets		258,206	258,185
Total current assets		1,868,435	1,995,778
Investments held at the Greater New Orleans Foundation (note 2)		89,857	65,278
Fixed assets, net (notes 3, 4, 5 and 7)		8,443,080	8,329,614
	$	10,401,372	10,390,670
Liabilities and Fund Equity			
Current liabilities:			
Notes payable - current (note 4)	$	74,684	77,642
Current portion of capital leases payable (note 7)		89,605	50,671
Accounts payable - trade		917,081	613,081
Accrued salaries		100,342	175,428
Deferred income		476,919	364,849
Accrued vacation leave		268,377	252,763
Other liabilities		364,947	275,474
Total current liabilities		2,291,955	1,809,908
Notes payable (note 4)		-	74,684
Capital leases payable (note 7)		53,719	54,677
Total liabilities		2,345,674	1,939,269
Fund equity:			
Contributed capital (note 5)		6,978,085	6,789,130
Retained earnings:			
Designated (note 2)		902,302	382,168
Unreserved, undesignated		175,311	1,280,103
Total retained earnings		1,077,613	1,662,271
Total fund equity		8,055,698	8,451,401
Commitments (notes 3, 6 and 7)			
	$	10,401,372	10,390,670

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Revenues, Expenses
and Changes in Retained Earnings

For the years ended September 30, 1998 and 1997

		1998	1997
Operating revenues:			
Amusements and other events	$	2,006,665	1,944,238
Boating and fishing		12,556	38,904
Casino, catering, and restaurant revenue		2,171,855	2,574,216
Driving range		693,612	759,761
Golf cart rentals		945,328	966,753
Golf course fees		1,862,918	1,932,084
Horticulture, grounds and pavillion		601,220	647,461
Quadraplex rentals and concessions		320,136	311,489
Stadium rentals and concessions		456,620	452,415
Tennis fees and shop sales		230,350	283,789
Toy Museum		-	53,920
Total operating revenues		9,301,260	9,965,030
Operating expenses:			
Amusements and other events		1,509,550	1,378,341
Boating and fishing		57,303	73,604
Casino, catering, and restaurant expense		1,771,752	2,000,222
Depreciation		662,084	672,112
Driving range		331,486	313,256
General park		2,269,841	2,196,797
Golf cart operations		353,950	361,616
Golf course		1,759,532	1,694,058
Horticulture and grounds		432,335	501,186
Quadraplex		232,226	223,437
Stadium		612,819	396,017
Tennis		230,276	252,773
Toy Museum		-	76,455
Total operating expenses		10,223,154	10,139,874
Net operating loss		(921,894)	(174,844)
Nonoperating income (expense):			
Interest income		39,259	51,898
Other contributions, royalties and revenue		392	65,483
Interest expense		(17,673)	(23,841)
Total nonoperating income (expense)		21,978	93,540
Net loss		(899,916)	(81,304)
Add depreciation on contributed fixed assets		315,258	306,712
Increase (decrease) in retained earnings		(584,658)	225,408
Retained earnings at beginning of year		1,662,271	1,436,863
Retained earnings at end of year	$	1,077,613	1,662,271

See accompanying notes to financial statements.

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Statements of Cash Flows

For the years ended September 30, 1998 and 1997

		1998	1997
Cash flows from operating activities:			
Cash received from user fees and other park activities	$	9,598,042	9,782,310
Cash payments to suppliers for goods and services and to employees for services		(9,148,163)	(9,196,261)
Net cash provided by operating activities		449,879	586,049
Cash flows from capital and related financing activities:			
Contributed by others for capital improvements		504,213	378,204
Acquisition and construction of capital assets		(775,550)	(891,494)
Repayment of notes payable and capital leases		(39,666)	(139,112)
Interest paid on notes payable and capital leases		(17,673)	(23,841)
Net cash used in capital and related financing activities		(328,676)	(676,243)
Cash flows from investing activities:			
Purchase of investments		180,026	(155,849)
Maturities of investments		-	358,166
Interest received on investments		39,259	51,898
Royalties and contributions		392	65,483
Net cash provided by activities		219,677	319,698
Net increase in cash and cash equivalents		340,880	229,504
Cash and cash equivalents at beginning of the year		1,065,438	835,934
Cash and cash equivalents at end of the year	$	1,406,318	1,065,438
Reconciliation of cash and cash equivalents (note 2):			
Cash		83,060	432,197
Investments, current		1,230,850	747,989
Investments held at Greater New Orleans Foundation		92,408	65,278
		1,406,318	1,245,464
Less those investments with a maturity greater than three months		-	(180,026)
	$	1,406,318	1,065,438

Noncash capital and financing activities transactions:
During 1998 and 1997, the Park entered into various capital lease transactions totaling $123,709 and $100,180, respectively.

		1998	1997
Reconciliation of net operating loss to net cash provided by operating activities are as follows:			
Net operating loss	$	(921,894)	(174,844)
Adjustments to reconcile net operating loss to net cash provided by operating activities:			
Depreciation		662,084	672,112
Decrease (increase) in receivables		237,999	(230,121)
Decrease (increase) in inventories		25,640	(22,613)
Increase in prepaid expenses		(21)	(44,338)
Increase in trade payables		304,000	145,416
Increase in accrued liabilities and other liabilities		30,001	249,408
Increase (decrease) in deferred income		112,070	(8,971)
Net cash provided by operating activities	$	449,879	586,049

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

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

(a) Reporting Entity

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

Of the 32 authorized Board members, 11 are appointed by various governmental units and nonprofit organizations. The remaining board members serve limited staggered terms and are appointed by the current Board members of the Park. The Park's Board members have decision-making authority over the activities of the Park including: the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Park has no special financial relationships with any other governmental unit and is responsible for its own debt and surpluses and deficits.

(b) Basis of Presentation - Fund Accounting

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

(c) Basis of Accounting

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

(Continued)

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

(d) ***Investments***

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

(e) ***Inventories***

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

(f) ***Fixed Assets***

Fixed assets are stated at cost. Contributed assets are recorded at fair market value at the time received. Depreciation is provided using the straight-line method over the estimated useful lives. Depreciation on assets acquired through contributions is charged to contributed capital.

(g) ***Vacation Leave***

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

(h) ***Fund Equity***

Designations of fund balances represent those portions which are not available for operations but have been designated by the Board. Designations include renovations related to the Casino Building, Quadraplex Concession Building, Soccer Fields, Quadraplex Batting Cages and other similar Park projects.

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

(i) ***Cash Flows***

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

(Continued)

(2) **Cash and Cash Equivalents and Investments**

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

	1998	1997
Current:		
Cash in banks and certificates of deposit	$ 82,385	432,197
Investments - U.S. Treasury securities	1,230,850	747,989
Long-term:		
Investments held at Greater New Orleans Foundation	89,857	65,278
Total cash, cash equivalents and investments	$ 1,406,418	1,245,464

Cash - The bank balances of cash and certificates of deposit, as reflected by the Bank's records totaled $261,580 and $456,032 at September 30, 1998 and 1997, 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, 1998 and 1997 are as follows:

	Restricted Cash	Restricted Investments	Total
1998:			
Freeport	$ 3,226	-	3,226
Ribet Fund	-	24,176	24,176
Casino Building	-	96,669	96,669
Stadium	-	38,142	38,142
Couba Island	-	89,383	89,383
Popp's Fountain	-	38,081	38,081
Golf	-	364,676	364,676
Playground	-	73,085	73,085
Tennis Court	-	194,864	194,864
	$ 3,226	899,076	902,302
1997:			
Freeport	13,508	-	13,508
Quadraplex Batting Cages	-	49,405	49,405
Ribet Fund	-	24,176	24,176
Casino Building	-	256,538	256,538
Stadium	-	38,541	38,541
	$ 13,508	368,660	382,168

(Continued)

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

	Cost	Unrealized gain	Unrealized Loss	Market value	Category
1998 -					
U.S. treasury bills and note	$ 1,230,850	15,402	-	1,246,252	1
1997 -					
U.S. treasury bills and note	$ 747,989	6,952	-	754,941	1

(3) Fixed Assets

The fixed assets of the Park as of September 30, 1998 and 1997 are as follows:

	1998	1997	Estimated useful life (years)
Amusement equipment	$ 3,086,944	3,053,896	5 - 20
Gardens	2,342,318	2,303,078	5 - 10
Trucks and other equipment	1,283,003	1,246,980	5 - 10
Softball quadraplex	1,548,583	1,460,219	5 - 20
Administration building	837,350	825,480	3 - 20
Couba Island - land	686,000	686,000	-
Couba Island - mineral rights	330,000	330,000	5
Catering Center/Casino	743,126	612,857	5 - 10
Golf equipment	930,450	810,483	3 - 20
Tennis center	449,437	444,050	5 - 20
Stadium	184,033	170,314	5 - 20
Construction in progress	581,502	258,415	-
Boat equipment	42,771	42,771	5 - 10
General park	164,439	89,863	5 - 10
	13,109,956	12,334,406	
Less accumulated depreciation	4,666,876	4,004,792	
Fixed assets, net	$ 8,443,080	8,329,614	

(Continued)

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

Construction in progress of $258,415 as of September 1997 consists of $69,553 expended for the soccer field, $54,749 expended for the administration building, $33,914 expended for the Casino building, $25,000 expended for carousel restoration, $18,345 expended for the train track improvements, $20,396 expended for the maintenance complex improvements, and $36,458 for various other projects.

(4) Notes Payable

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

		1998	1997
6.25% note payable in regular monthly payments of $7,093, including interest, beginning September 9, 1995, with final payment on August 9, 1999. Collateralized by selected revenues from concession contracts and revenues from the operations of the City Park Quadraplex.	$	74,684	152,326
Less current portion		74,684	77,642
Long-term portion	$	-	74,684

(5) Contributed Capital

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

Year ended		Beginning of year	Fixed asset additions	Depreciation	End of year
1997	$	6,717,638	378,204	(306,712)	6,789,130
1998		6,789,130	504,213	(315,258)	6,978,085

Included in the fixed asset additions are $20,227 and $348,104 contributed to the Park by the Friends of City Park in 1998 and 1997, respectively. Friends of City Park is a not-for-profit organization that assists the Park in fund raising and community activities.

(6) Operating Leases

The Park leases certain facilities to various lessees under renewable operating lease agreements. These facilities include the snowball stand, the stables, and land to Christian Brothers School. Minimum future lease payments receivable as of September 30, 1998, are as follows:

1999	$ 64,325
2000	40,000
2001	40,000
2002	40,000
2003	40,000
Thereafter	280,000

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

The Park leases golf equipment under a renewable operating lease. The rental expense for this equipment for the years ended September 30, 1998 and 1997 was $182,161 and $124,646, respectively. The remaining minimum future payments due under this agreement as of September 30, 1998 is for fiscal year 1999 for an amount of $127,526.

(7) Capital Leases

The Park has capital lease agreements for financing the acquisition of golf, maintenance, and other equipment. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms); therefore, they have been recorded at the present value of future minimum lease payments as of the date of their inception. The cost of the equipment leased under capital leases as of September 30, 1998 and 1997 is $269,250 and $333,374, respectively. Accumulated depreciation on this equipment as of September 30, 1998 and 1997 is $115,432 and $218,141, respectively.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at September 30, 1998:

Fiscal year ending September 30:		
1999	$	95,512
2000		51,038
2001		5,237
Total minimum lease payments		152,787
Less amount representing interest		9,463
Present value of future minimum lease payments		143,324
Less current portion		89,605
Noncurrent portion of leases payable	$	53,719

(8) Employee Benefit Plans - Deferred Compensation Plan

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

The plan is administered by the State of Louisiana (the State). All amounts of compensation deferred under the plan and all income attributable to those amounts are solely the property of the State (until payment is made to the employee or beneficiary), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. The Park contributed $76,234 and $74,666 to the deferred compensation plan in 1998 and 1997, respectively.

(9) Year 2000 - Unaudited

The Year 2000 may present problems for the Park's computerized data files and computer programs which were written with the year represented by the last two digits for space conservation. The Park's computer consultants began a remediation program in 1998 which is being monitored regularly by the Park's management. The Park's computer systems are undergoing modifications and/or replacement. These efforts are currently on schedule. The Park has not budgeted any above-normal costs in 1998 nor in 1999 to address Year 2000 issues as such above-normal costs are not anticipated. The Park believes it will receive the completed Year 2000 modifications and will realize no material negative financial impact. The Park's computer consultants have tested Year 2000 changes and have represented to the Park that the system will be Year 2000 compliant by June 30, 1999.

Schedule

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

Schedule of Operating Expenses

For the years ended September 30, 1998 and 1997

		1998	1997
Administrative	$	190,815	203,401
Advertising		57,429	45,534
Bad debt		39,873	-
Celebration in the Oaks supplies		172,193	154,527
Communications		49,951	59,083
Contract labor		456,220	457,784
Contract services		181,789	193,271
Cost of goods sold		1,078,291	1,120,446
Depreciation		662,084	672,112
Fuel		32,157	37,073
Golf tournament expense		42,333	36,127
Insurance		588,535	545,793
Other		88,724	85,305
Payroll		4,662,941	4,471,871
Payroll benefits		507,474	470,006
Rentals		190,975	67,870
Repairs and maintenance		387,711	585,462
Special events		120,958	181,311
Supplies		286,923	289,598
Telephone		60,574	48,757
Toy museum		-	76,455
Uniforms		9,997	8,192
Utilities		355,207	329,896
Operating expenses	$	10,223,154	10,139,874

See accompanying independent auditors' report.

KPMG

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

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, 1998, and have issued our report thereon dated January 25, 1999, which was qualified because insufficient audit evidence exists to support the Park's disclosures with respect to the Year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards:*

> Certain disbursements for unique repairs/restoration 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 ensure proper acquisition of materials and supplies as required. This is a repeat comment from prior year.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we reported to management of the Park in a separate letter dated January 25, 1999.

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

KPMG LLP

January 25, 1999

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

CONFIDENTIAL

January 25, 1999

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

Dear Commissioners of the Board:

We have audited the financial statements of New Orleans City Park Improvement Association (the Park) for the year ended September 30, 1998, and have issued our report thereon dated January 25, 1999, which was qualified because insufficient audit evidence exists to support the Park's disclosures with respect to the year 2000 issue. In planning and performing our audit of the financial statements of the Park, we considered the Park's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

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

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

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

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

Very truly yours,

KPMG LLP

CURRENT YEAR COMMENTS

Cash Flow

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

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

Grants and Fundraising

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

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

Inventory

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

Bid Procedures

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

Procurement

Several items were noted in our testing of the procurement processes of the Park:

- numerous purchases of items under $50;
- no consolidation of volume purchasing on a consistent basis, and
- no procurement card usage, although Petty Cash funds are significant.

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

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

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

Year 2000

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

Casual Labor

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

Collateral Monitoring

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

Disbursements

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

Receipts and Receivables

Due to the Park's pressing cash flow needs and increased business operations, the Park should review its billing and collection procedures, particularly related to rent collections and other miscellaneous receivables.

In addition, currently, department supervisors are required to review receipt information from various areas but not required to document their review. We suggest that because of the importance of this function, such reviews be documented (e.g., initialed, comments noted, etc.).

Catering and Sales

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

Investments

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

Cost of Goods Sold

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

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

Status of Prior Year Comments

Investments

Currently, the Internal Auditor oversees the purchases, sale/maturity 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/audit investments on a test basis during the year.

Park's Status:

Implemented. An investment policy has been adopted and approved by the Finance Committee. The Assistant Chief Financial Officer (CFO) administers the Park's investments, the monthly activity is recorded by the Accounting Supervisor, and the CFO pre-approves all investment activity. All sales of investments are pre-approved by the Park's General Manager.

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 or funds bequeathed 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.

Park's Status:

Implemented. The Park receives quarterly reports from the Greater New Orleans Foundation, which is included in the Board's monthly financial package. Records of investments are being maintained.

Inventory

Inventory test counts were performed at various Park sites during the audit. In the selection of 10 items from the Garden Gift 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/conduct surprise audits of the inventory on a test basis throughout the year.

Park's Status:

Implemented. A new accounting position has been created and filled as of October 1998. This position focuses on inventory and costs of goods sold maintenance and billing and collections. Several spot inventory checks have been conducted since then and quarterly spot checks are planned.

Expanding Role of Internal Audit

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

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

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

Park's Status:

In-progress. The Park is considering its options related to Internal Audit and anticipates determining the role and function of Internal Audit by June 1999.

Monitoring 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.

Park's Status:

Implemented. The Assistant CFO has begun an overall assessment of the Park's cash policy and will implement these new polices by April 1999.

Golf Operations

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

- As a result of recent changes, golf cash operations appear to be overstaffed based on our limited observation of cash procedures. Staffing needs should be reassessed including outsourcing options.
- The golf cashier and driving range cashier operations are monitored on videotape in the golf shop; offsite monitoring and review of video tapes by security personnel should be considered.
- The Finance Department should receive a listing of tournaments booked in advance; the listing should be checked to daily activity reports to determine the completeness of reports and related revenue.
- Random review of selected tournaments should be performed by the Internal Auditor; procedures should include some test counts of the number of participants on the day tournaments are held.
- Cashier training is currently provided on-the-job by other experienced personnel. A formalized training program should be considered.

Park's Status:

In-progress. Staffing needs have been adjusted; however, a long-range solution is in progress. The monitoring of all video tapes is not feasible, however periodic monitoring is conducted when possible. The other suggestions are being considered and should be addressed by June 1999.

Bid Procedures

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

Park's Status:

Under review. Act 13 of the State Legislature was passed in April 1998, which allowed the Park to contract with any non-profit or not-for-profit firm, corporation, or entity for the operation, care, control and management of the Park and its facilities. Currently, the Park must follow State procurement guidelines. The new Assistant CFO will review existing procurement procedures by June 1999.

Accounts Receivable

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 segregation 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 funds 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.

Park's Status:

Implemented. The Catering Accountant reports directly to the CFO. The Finance Department receives a weekly schedule of all catering events and also reconciles payments to events monthly.

Prepaids

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.

Park's Status:

Implemented. Prepaids are reconciled monthly.

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.

Park's Status:

Implemented. The payment date function in the Park's accounts payable software is currently not feasible due to numerous special payment procedures.

State Regulations

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

Prior Year Status: City Park's Board of Commissioners, through its Legal and Executive Committees, is proposing entering into a Management Agreement with the FOCP to manage the operation, care, control, and management of the Park, pursuant to Act No. 865 of 1982, Act 569 of 1989, and Article VII, Section 14(C) of the Constitution of the State of Louisiana.

Entering into this Agreement will ostensibly 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.

Current Year Status:

In progress. Act 13 was passed by the Louisiana Legislature and signed by the Governor. This Act allows the Park to enter into an agreement with a non-profit entity that would assist in managing the personnel and procurement functions of the Park. This non-profit corporation, PEPCO (Park Employment and Procurement Corporation) has been formed and the agreement was signed February 12, 1999. The Park is working with PEPCO to complete details of the arrangement.

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 progress 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.

Prior Year 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.

Current Year Status:

Implemented. The Park has implemented performance budgeting to the extent it considered necessary.

MANAGEMENT'S RESPONSE TO YEAR COMMENTS

Cash Flow

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

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

Management's Response

Concur. Management is currently investigating new revenue-producing projects to increase current cash flow needs in addition to securing a line of credit to offset periodic cash flow shortages.

Grants and Fundraising

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

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

Management's Response

Concur. The Development Committee of the Board of Commissioners is currently investigating the possibility of hiring a development person or creating a development department to facilitate fundraising.

Inventory

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

Management's Response

Concur. Current accounting procedures include a minimum of quarterly spot checks of inventory, and several spot checks have been conducted since October 1, 1998. Inventory losses due to spoilage do not appear to be a significant financial concern, but a system to better monitor these losses will be considered in 1999.

<u>Bid Procedures</u>

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

Management's Response

Concur. Procurement for the Park will be facilitated through a new non-profit organization expected to be completed in fiscal year 1999. Bid procedures will mimic State guidelines; however, this is not a State requirement.

<u>Procurement</u>

Several items were noted in our testing of the procurement processes of the Park:

- numerous purchases of items under $50;
- no consolidation of volume purchasing on a consistent basis, and
- no procurement card usage, although Petty Cash funds are significant.

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

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

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

Management's Response

Concur. Management realizes the importance of a centralized purchasing department; however, due to current fiscal limitations, this will not be a short-term reality.

Year 2000

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

Management's Response

Concur. The Year 2000 should not present any significant problems for the Park from an accounting software perspective. The Park's main accounting software vendor provided a Y2K software update in September 1998. It was installed and tested successfully.

A Y2K task force has been formed and will assess the Y2K status of (1) mission-critical Park vendors, i.e. banking, health and benefit providers, utility providers, etc. and (2) all software currently used throughout the Park. Written documentation regarding the Y2K status of these items will be secured.

Casual Labor

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

Management's Response

Concur. Management will research the feasibility of requiring a contract for all independent contractors who work in the Park.

Collateral Monitoring

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

Management's Response

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

Disbursements

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

Management's Response

Concur. Management enforces its procurement policies; however, management views these items as immaterial.

Receipts and Receivables

Due to the Park's pressing cash flow needs and increased business operations, the Park should review its billing and collection procedures, particularly related to rent collections and other miscellaneous receivables.

In addition, currently, department supervisors are required to review receipt information from various areas but not required to document their review. We suggest that because of the importance of this function, that such reviews be documented (e.g., initialed, comments noted, etc.).

Management's Response

Concur. Effective October 1998, accounting has implemented a system of centralized billing and collection of all miscellaneous invoices.

Catering and Sales

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

Management's Response

Concur. Management will ensure that processing catering invoices and collecting payments regarding these events are clearly segregated duties.

Investments

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

Management's Response

The Park's Finance Committee and management will ensure that all investments held at the GNOF are in compliance with State law and the Park's investment policy.

Cost of Goods Sold

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

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

Management's Response

The Park's management will create a task force to assist in determining if the existing pricing structure policy and the gross margins of its catering services are competitive.

KPMG

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

January 25, 1999

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

We have audited the financial statements of New Orleans City Park Improvement Association as of and for the year ended September 30, 1998, and have issued a report thereon dated January 25, 1999, which was qualified because insufficient audit evidence exists to support the Park's disclosure with respect to the Year 2000 issue. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

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

Very truly yours,

KPMG LLP

NEW ORLEANS CITY PARK IMPROVEMENT ASSOCIATION

SEPTEMBER 30, 1998

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, 1998, 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.

Furthermore, our audit, including the limited inquiries we made in connection with the Year 2000 issue, was not designed to, and does not, provide any assurance that a Year 2000 issue which may exist will be identified, on the adequacy of the Park's remediation plans related to Year 2000 financial or operational issues, or on whether the Park is or will become Year 2000 compliant. Year 2000 compliance is the responsibility of management.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The Park has included such disclosures in note 9 in the notes to the financial statements. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Park's disclosures with respect to the Year 2000 issue made in note 9. Further, we do not provide assurance that the Park is, or will be, Year 2000 ready, that the Park's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Park does business will be Year 2000 ready.

Our opinion on the financial statements is qualified due to a scope restriction related to the Year 2000 issue as to the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures.

Significant Accounting Policies

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

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

Management Judgments and Accounting Estimates

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

Significant Audit Adjustments

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

Disagreements With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Park's 1998 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. 50, "*Reporting on the Application of Accounting Principles.*"

Major Issues Discussed With Management Prior to Retention

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

Difficulties Encountered in Performing the Audit

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