

ARTHUR ANDERSEN LLP

RECEIVED
LEGISLATIVE AUDITOR

99 MAY 24 AM 12

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

AUDUBON COMMISSION

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 1998

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

Release Date

MAY 2 6 1999

AUDUBON COMMISSION

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 1998

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combining Balance Sheets	2
Combining Statements of Revenues, Expenses and Changes in Retained Earnings	4
Combining Statements of Cash Flows	5
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	14

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT

To the Audubon Commission
New Orleans, Louisiana:

We have audited the accompanying general-purpose financial statements of the Audubon Commission (the Commission), a component unit of the City of New Orleans, as of and for the year ended December 31, 1998, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We have previously audited and reported on the financial statements for the preceding year (see Note 1).

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Commission as of December 31, 1998 and 1997, and the changes in its net asset and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin 98-1 as amended are not sufficiently specific to permit meaningful results from the prescribed procedures. In addition, we do not provide assurance that the Commission is or will become Year 2000 compliant, that the Commission's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission does business are or will be Year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Commission's internal control structure and a report on its compliance with laws and regulations, both dated March 31, 1999.

Arthur Andersen LLP

New Orleans, Louisiana,
March 31, 1999

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING BALANCE SHEET

AS OF DECEMBER 31, 1998

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1998	Memorandum Only 1997
CURRENT ASSETS:							
Cash and temporary investments (Notes 1 and 2)	\$ 600,275	\$ 52,449	\$ -	\$ 250	\$ 1,450	\$ 654,424	\$ 338,574
Accounts receivable, net of allowance for uncollectible accounts of \$123,000 and \$92,000 in 1998 and 1997, respectively	385,636	169,276	-	-	-	554,912	357,774
Accrued interest receivable	22,130	-	-	-	-	22,130	58,171
Due from Audubon Institute, Inc.	-	-	-	-	-	-	216,350
Inventory (Note 1E)	53,621	228,517	-	-	20,000	302,138	351,963
Prepaid expenses	333,995	95,803	-	1,474	-	431,272	505,324
Total current assets	<u>1,395,657</u>	<u>546,045</u>	<u>-</u>	<u>1,724</u>	<u>21,450</u>	<u>1,964,876</u>	<u>1,828,156</u>
RESTRICTED ASSETS:							
Designated for capital improvements	3,107,475	7,272	-	-	-	3,114,747	6,229,674
Debt service and bond reserve	2,700,192	307,088	-	-	-	3,007,280	2,324,844
Accounts receivable for capital improvements	186,609	835,535	-	-	-	1,022,144	-
Due from other funds for capital improvements	835,535	-	-	-	-	835,535	103,254
Funds restricted to a City project (Note 1C)	-	-	-	-	-	-	773,571
Total restricted assets	<u>6,829,811</u>	<u>1,149,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,979,706</u>	<u>9,431,343</u>
PROPERTY AND EQUIPMENT (Note 1F):							
Land	-	800,000	-	-	150,000	950,000	950,000
Buildings and fixed exhibitry	77,907,825	28,431,957	503,373	16,908,691	2,728,398	126,480,244	120,804,316
Construction in progress	819,542	2,010,619	-	24,822	5,830	2,860,813	3,012,911
Equipment	6,248,855	3,585,339	-	1,755,902	752,606	12,342,702	11,241,344
Less: accumulated depreciation	(18,094,049)	(8,666,475)	(410,102)	(1,766,461)	(2,614,776)	(31,551,863)	(26,756,366)
Net property and equipment	<u>66,882,173</u>	<u>26,161,440</u>	<u>93,271</u>	<u>16,922,954</u>	<u>1,022,058</u>	<u>111,081,896</u>	<u>109,252,205</u>
OTHER ASSETS (Note 3):							
Prepaid rent - Dock Board	1,643,477	-	-	-	-	1,643,477	1,710,107
Investment - Riverfront Economic Development Agreement	10,189,420	-	-	-	-	10,189,420	10,305,220
Unamortized bond issue cost	714,110	55,619	-	-	-	769,729	847,641
Total other assets	<u>12,547,007</u>	<u>55,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,602,626</u>	<u>12,862,968</u>
Total assets	<u>\$87,654,648</u>	<u>\$27,912,999</u>	<u>\$ 93,271</u>	<u>\$16,924,678</u>	<u>\$ 1,043,508</u>	<u>\$ 133,629,104</u>	<u>\$ 133,374,672</u>

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

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING BALANCE SHEET

AS OF DECEMBER 31, 1998

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1998	Memorandum Only 1997
CURRENT LIABILITIES:							
Accounts payable and other accrued liabilities	\$ 2,008,822	\$ 1,910,245	\$ 19,756	\$ 113,986	\$ 41,761	\$ 4,094,570	\$ 3,401,287
Due to The Audubon Institute (Note 6)	132,256	-	-	-	-	132,256	545,838
Due to other funds (Note 6)	-	-	-	-	-	-	103,254
Total	<u>2,141,078</u>	<u>1,910,245</u>	<u>19,756</u>	<u>113,986</u>	<u>41,761</u>	<u>4,226,826</u>	<u>4,050,379</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):							
Accrued interest	193,765	-	-	-	-	193,765	129,176
Revenue bonds	635,874	-	-	-	-	635,874	-
Limited tax bonds	1,341,793	140,000	-	-	-	1,481,793	1,400,000
Construction payables	301,121	-	-	-	-	301,121	485,071
Due to other funds	-	835,535	-	-	-	835,535	773,571
Total (payable from restricted assets)	<u>2,472,553</u>	<u>975,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,448,088</u>	<u>2,787,818</u>
Total current liabilities	<u>4,613,631</u>	<u>2,885,780</u>	<u>19,756</u>	<u>113,986</u>	<u>41,761</u>	<u>7,674,914</u>	<u>6,838,197</u>
LONG-TERM LIABILITIES (Note 4):							
Limited tax bonds	40,676,134	4,105,000	-	-	-	44,781,134	46,129,719
Revenue bonds	13,656,360	-	-	-	-	13,656,360	14,143,108
Less: unamortized discount	(1,428,851)	-	-	-	-	(1,428,851)	(1,511,720)
Other	-	945,836	-	-	-	945,836	920,834
Total long-term liabilities	<u>52,903,643</u>	<u>5,050,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,954,479</u>	<u>59,681,941</u>
Total liabilities	<u>57,517,274</u>	<u>7,936,616</u>	<u>19,756</u>	<u>113,986</u>	<u>41,761</u>	<u>65,629,393</u>	<u>66,520,138</u>
RETAINED EARNINGS:							
Unreserved	30,137,374	19,976,383	73,515	16,810,692	1,001,747	67,999,711	66,854,534
Total liabilities and retained earnings	<u>\$ 87,654,648</u>	<u>\$ 27,912,999</u>	<u>\$ 93,271</u>	<u>\$ 16,924,678</u>	<u>\$ 1,043,508</u>	<u>\$ 133,629,104</u>	<u>\$ 133,374,672</u>

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

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Aquarium and Riverfront Park</u>	<u>Audubon Zoo and Park</u>	<u>Audubon Golf Course</u>	<u>Species Survival Center</u>	<u>Louisiana Nature Center</u>	<u>Memorandum Only 1998</u>	<u>1997</u>
OPERATING REVENUES:							
Charges for services	\$ 13,729,501	\$ 6,876,861	\$ 448,445	\$ -	\$ 406,131	\$ 21,460,938	\$ 21,581,804
Miscellaneous	<u>693,479</u>	<u>284,167</u>	<u>-</u>	<u>18,119</u>	<u>-</u>	<u>995,765</u>	<u>701,013</u>
Total operating revenues	<u>14,422,980</u>	<u>7,161,028</u>	<u>448,445</u>	<u>18,119</u>	<u>406,131</u>	<u>22,456,703</u>	<u>22,282,817</u>
OPERATING EXPENSES:							
Salaries and benefits	5,166,586	5,580,493	150,924	651,195	366,785	11,915,983	11,681,843
Contractual services, materials, supplies, other	6,203,457	4,058,785	186,042	487,894	262,535	11,198,713	10,938,494
Depreciation and amortization	<u>3,108,141</u>	<u>1,028,348</u>	<u>50,025</u>	<u>628,640</u>	<u>174,721</u>	<u>4,989,875</u>	<u>4,588,017</u>
Total operating expenses	<u>14,478,184</u>	<u>10,667,626</u>	<u>386,991</u>	<u>1,767,729</u>	<u>804,041</u>	<u>28,104,571</u>	<u>27,208,354</u>
OPERATING INCOME (LOSS)	<u>(55,204)</u>	<u>(3,506,598)</u>	<u>61,454</u>	<u>(1,749,610)</u>	<u>(397,910)</u>	<u>(5,647,868)</u>	<u>(4,925,537)</u>
NON-OPERATING REVENUES (EXPENSES):							
Audubon Institute grants for capital projects, education programs and operating support (Note 6)	105,001	481,711	-	992,608	97,711	1,677,031	2,690,855
Dedicated tax revenues	5,862,611	627,657	-	-	-	6,490,268	6,060,681
Interest expense	<u>(3,652,729)</u>	<u>(270,079)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,922,808)</u>	<u>(4,181,254)</u>
Intergovernmental grants for capital projects	186,609	1,036,182	-	-	-	1,222,791	639,273
Grant expenses	(55,000)	(72,841)	-	(129,818)	(40,000)	(297,659)	(193,349)
Interest income	945,792	129,165	-	520,000	50,000	1,644,957	1,411,421
Amortization - debt costs	<u>(127,402)</u>	<u>(5,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,149)</u>	<u>(165,345)</u>
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,615</u>	<u>-</u>	<u>111,615</u>	<u>-</u>
Total non-operating revenues	<u>3,264,882</u>	<u>1,926,048</u>	<u>-</u>	<u>1,494,405</u>	<u>107,711</u>	<u>6,793,046</u>	<u>6,262,282</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>3,209,678</u>	<u>(1,580,550)</u>	<u>61,454</u>	<u>(255,205)</u>	<u>(290,199)</u>	<u>1,145,178</u>	<u>1,336,745</u>
TRANSFERS IN (OUT):							
Transfers in	-	3,730,281	-	95,889	141,232	3,967,402	2,680,318
Transfers out	<u>(3,887,442)</u>	<u>-</u>	<u>(79,960)</u>	<u>-</u>	<u>-</u>	<u>(3,967,402)</u>	<u>(2,680,318)</u>
Total operating transfers	<u>3,887,442</u>	<u>3,730,281</u>	<u>(79,960)</u>	<u>95,889</u>	<u>141,232</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	<u>(677,764)</u>	<u>2,149,731</u>	<u>(18,506)</u>	<u>(159,316)</u>	<u>(148,967)</u>	<u>1,145,178</u>	<u>1,336,745</u>
RETAINED EARNINGS, beginning of year	<u>30,815,138</u>	<u>17,826,652</u>	<u>92,021</u>	<u>16,970,008</u>	<u>1,150,714</u>	<u>66,854,533</u>	<u>65,517,788</u>
RETAINED EARNINGS, end of year	<u>\$ 30,137,374</u>	<u>\$ 19,976,383</u>	<u>\$ 73,515</u>	<u>\$ 16,810,692</u>	<u>\$ 1,001,747</u>	<u>\$ 67,999,711</u>	<u>\$ 66,854,533</u>

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

AUDUBON COMMISSION

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1998

	Aquarium and Riverfront Park	Audubon Zoo and Park	Audubon Golf Course	Species Survival Center	Louisiana Nature Center	Memorandum Only 1998	Memorandum Only 1997
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net income (loss) from operations	\$ (55,204)	\$ (3,506,598)	\$ 61,454	\$ (1,749,610)	\$ (397,910)	\$ (5,647,868)	\$ (4,925,536)
Adjustments to reconcile to cash provided by operations:							
Depreciation and amortization	3,108,141	1,028,348	50,025	628,640	174,721	4,989,875	4,588,016
Accounts receivable and other current assets	(136,963)	273,124	-	3,026	3,900	143,087	779,556
Accounts payable and other current liabilities	319,666	(83,001)	1,050	39,120	2,865	279,700	(1,207,431)
Cash provided (used) by operations	<u>3,235,640</u>	<u>(2,288,127)</u>	<u>112,529</u>	<u>(1,078,824)</u>	<u>(216,424)</u>	<u>(235,206)</u>	<u>(765,395)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Grants from Audubon Institute for capital projects, education and operating support	105,001	481,711	-	992,608	97,711	1,677,031	2,690,855
Payments for projects' design, construction and equipment purchases	(921,322)	(5,258,949)	(32,569)	(511,470)	(32,519)	(6,756,829)	(5,572,343)
Decrease (increase) in restricted assets	(384,585)	2,755,112	-	103,254	-	2,473,781	1,705,199
Increase (decrease) in restricted liabilities	-	(41,290)	-	(103,254)	-	(144,544)	-
Dedicated tax revenues	5,862,611	627,657	-	-	-	6,490,268	6,060,681
Interest paid	(3,305,807)	(245,077)	-	-	-	(3,550,884)	(4,031,964)
Payment of bond principal	(1,270,000)	(130,000)	-	-	-	(1,400,000)	(1,840,000)
Interest income	981,833	129,165	-	520,000	50,000	1,680,998	1,422,082
Intergovernmental and other grants	-	200,647	-	-	-	200,647	639,273
Grant expenses	(55,000)	(72,841)	-	(129,818)	(40,000)	(297,659)	(193,349)
Bond issue proceeds	-	-	-	-	-	-	16,367,709
Defease bonds	-	-	-	-	-	-	(16,048,030)
Transfers to other funds	(3,887,442)	3,730,281	(79,960)	95,889	141,232	-	-
Other	<u>66,632</u>	<u>-</u>	<u>-</u>	<u>111,615</u>	<u>-</u>	<u>178,247</u>	<u>(398,399)</u>
Cash provided (used) by capital and related financing activities	<u>(2,808,079)</u>	<u>2,176,416</u>	<u>(112,529)</u>	<u>1,078,824</u>	<u>216,424</u>	<u>551,056</u>	<u>801,714</u>
Net increase (decrease) in cash and cash equivalents	427,561	(111,711)	-	-	-	315,850	36,319
CASH AND TEMPORARY INVESTMENTS, beginning of year	<u>172,714</u>	<u>164,160</u>	<u>-</u>	<u>250</u>	<u>1,450</u>	<u>338,574</u>	<u>302,255</u>
CASH AND TEMPORARY INVESTMENTS, end of year	<u>\$ 600,275</u>	<u>\$ 52,449</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 1,450</u>	<u>\$ 654,424</u>	<u>\$ 338,574</u>

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

AUDUBON COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Information

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

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

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

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

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

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

A. Basis of Presentation - Fund Accounting

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

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

B. Basis of Accounting

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

C. Restricted Assets

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

D. Investments

Investments are stated at cost or amortized cost.

E. Inventory

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

F. Property and Equipment

Property and equipment are recorded at estimated historical cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives (ranging from 10 - 35 years for buildings and fixed exhibitry and 8 years for equipment) of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized.

G. Vacation and Sick Leave

Annual vacation leave and sick leave are accrued when earned in the enterprise funds (approximately \$694,000 and \$679,000 at December 31, 1998 and 1997, respectively) and reported in accounts payable and accrued liabilities in the combining balance sheet.

H. Total Columns on Combined Statements

The total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This column does not present financial position, results of operations, or cash flows, in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made. Reclassifications of certain 1997 amounts have been made to conform with 1998 report captions.

I. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the enterprise funds consider all investments with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents at December 31, 1998 consisted of unrestricted cash and investments of \$654,424.

J. Budgeting

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

2. CASH ON DEPOSIT AND TEMPORARY INVESTMENTS:

A. Cash on Deposit and Time Certificates of Deposit

The Commission's deposits at banks at December 31, 1998 were \$859,262 (excluding \$102,250 of cash on hand and including certificates of deposit totalling \$307,088 that were categorized as restricted assets). The bank balances with respect to these deposits was \$1,360,118. The Commission's bank balance is categorized below to give an indication of the level of risk assumed by the Commission at year-end.

Category 1 includes insured or collateralized cash with securities held by its agent in the Commission's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or its agent in the Commission's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name. At December 31, 1998, \$211,713, \$1,148,406 and \$0 of the bank balance of Commission's cash was Category 1, Category 2 and Category 3 level of risk, respectively.

B. Investments

The carrying values and market values of the Commission's investments as of December 31, 1998 were approximately \$5,814,939 and \$5,889,145, respectively. At December 31, 1998, all the Commission's investments are Category 2 level of risk which includes uninsured and unregistered investment securities held by the financial institution trust departments or agents in the Commission's name.

3. OTHER ASSETS:

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

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

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

4. BONDS AND NOTES PAYABLE:

Bonds payable at December 31, 1998 are comprised of the following:

Limited tax bonds:

6.10% to 6.30% Audubon Park Commission Aquarium Bonds, Series 1993, due in annual installments of \$1,215,000 to \$3,645,000 through October, 2017	\$43,350,000
5.00% to 6.50% Audubon Commission Improvement and Refunding Bonds, Series 1997, due in annual installments of \$125,000 to \$365,000 through December, 2016	4,245,000

Revenue bonds:

4.50% to 5.00% 1997 Audubon Park Commission Aquarium Revenue Refunding Bonds, Series 1997, due in annual installments of \$785,000 to \$1,520,000, from April, 1999 to April, 2012	16,380,000
Deferred losses on refinancings, being amortized	<u>(3,419,840)</u>
Total	60,555,160
Less: Current maturities and current portion of deferred losses	<u>(2,117,666)</u>
Bonds payable - long term	<u>\$58,437,494</u>

On January 1, 1993, the Commission issued \$50,925,000 Audubon Park Commission for the City of New Orleans Aquarium Bonds, Series 1993 with an average interest rate of 6.25%, to (i) advance refund \$23,455,000 principal amount of outstanding Aquarium Bonds, Series 1988 maturing October 1, 1993 to October 1, 2008 with an average interest rate of 8.11%; (ii) finance further construction, extension and improvement of the Aquarium and related facilities; (iii) fund certain reserves; and (iv) pay costs of issuance of the Bonds. The Bonds are special and limited obligations of the City payable from and secured solely by the proceeds of a special ad valorem tax. The tax is being levied at the rate of four and eleven-hundredths (4.11) mills. \$26,050,024 of the proceeds from the 1993 Series bonds were used to purchase U. S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the 1988 Series bonds. As a result, the 1988 Series bonds are considered to be defeased and the liability for these bonds has been removed from the balance sheet. The reacquisition price of the 1988 Series bonds exceeded its net carrying amount by \$2.1 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2008 using the straight-line method. Series 1988 Bonds remaining outstanding at December 31, 1998 total \$19,275,700.

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

Series 1979 bonds outstanding at December 13, 1998 total \$1,705,000.

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

In December 1997, the Commission issued its \$16,380,000 Aquarium Revenue Refunding Bonds, Series 1997 to advance refund its \$14,200,000 Series 1992A Aquarium Revenue Bonds. The advance refunding included escrowing \$16,048,000 into an irrevocable trust to provide for all future debt service payments on the Series 1992A bonds; therefore, the 1992A bonds were removed from the balance sheet. The reacquisition price exceeded recorded book value by \$2.2 million which is reported in the financial statements as a deduction to bonds payable and will be charged to interest expense in equal annual amounts through 2012. The net present value of savings in debt service expected to be realized by the Commission as a result of this advance refunding totals approximately \$875,000. Series 1992A bonds outstanding at December 31, 1998 total \$13,700,000.

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

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The Commission is in compliance with all such significant limitations and restrictions at December 31, 1998.

Debt service requirements on all bonds outstanding as of December 31, 1998, including interest payments of approximately \$38,687,079, are as follows.

Year(s) Ending December 31,	Limited Tax Bonds	Revenue Bonds	Total
1999	\$ 4,244,743	\$ 1,542,395	\$ 5,787,138
2000	4,243,225	1,619,483	5,862,708
2001	4,240,675	1,666,958	5,907,633
2002	4,237,425	1,612,633	5,850,058
2003	4,238,000	1,651,620	5,889,620
2004 - 2008	21,176,055	8,093,111	29,269,166
2009- 2013	21,198,950	6,295,088	27,494,038
2014 - 2017	<u>16,601,720</u>	<u>-</u>	<u>16,601,720</u>
	<u>\$ 80,180,793</u>	<u>\$ 22,481,288</u>	<u>\$ 102,662,081</u>

A certain Endowment Income Trust Fund loaned the Commission \$725,000 in 1979 and \$500,000 in 1982 for capital improvements within the Audubon Park and Zoo. The loans are structured similarly and include interest at 5%. Each loan is to be repaid annually from 50% of any operating surplus, excluding any intergovernmental revenues. Amounts not repaid after 25 years are to be forgiven by the lender. The 1982 agreement also requires a minimum annual payment of \$25,000 commencing January 1, 1992. Accordingly, the Commission has recorded a repayment liability of \$945,836 at December 31, 1998 which includes accrued interest. No repayment liability has been recorded under the 1979 loan agreement due to the contingent nature of the agreement.

5. RETIREMENT SYSTEM:

Employees of The Audubon Institute, Inc. providing services for the Commission in accordance with the terms of the management agreements may participate on an optional basis in a tax-deferred annuity plan established by the Institute for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Participating employees contribute between 2% and 11% of their salary, not to exceed \$10,000, and the Commission, through the management agreement with the Institute, matches employee contributions at a rate of 50%, up to 3% of base salary. The retirement expense provision for 1998 amounted to approximately \$322,000.

6. RELATED PARTY TRANSACTIONS:

The Commission and the Institute are related through the interaction of their Boards of Directors and the mutual operation of the entities by the same management team. To assure efficiencies through economies of scale, these entities, often and in the ordinary course of business, engage in operations through one organization that benefits the other organization. One example of this is the use of common or central bank and investment accounts. At December 31, 1998, the Commission had payables to the Institute of \$132,000.

The Commission also received additional financial support from the Institute in the form of specific gifts and grants totalling \$1,677,000 and distributions from the Institute's Endowment Fund amounting to approximately \$1,076,000 (included in interest income) during 1998.

7. COMMITMENTS AND CONTINGENCIES:

A. Litigation

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

B. Self Insurance Risk Management

The Commission is self-insured for worker's compensation, short-term disability and health insurance benefits. The Commission has purchased commercial insurance to cover catastrophic hospitalization benefits and claims with an aggregate maximum cap of \$50,000 per claim and a \$1,000,000 employee lifetime limit. Worker's compensation expense provided for 1998 amounted to \$206,000. The Commission's hospitalization self-insurance provision in excess of the employee contributions for 1998 amounted to approximately \$482,000 and is included in payroll related expenses. The Institute maintains a \$100,000 letter of credit with a financial institution to support its participation in the program.

SUPPLEMENTAL INFORMATION

YEAR 2000:

The Year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, computer programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clocks in computers and other equipment will roll over from 12/31/99" to "01/01/00."

Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year. Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems may potentially disrupt operations and/or temporarily increase operating costs.

Audubon Institute is taking the steps needed to ensure that the museum facilities owned by the Audubon Commission are prepared for the Year 2000 problem. The effort is directed primarily toward mission critical internal data systems and those service providers who assist Audubon in maintaining daily operations. The focal points include Aquarium Life Support, Building Operations, Telecommunications and Information Systems. In 1996, Audubon's Director for Information Systems communicated the implications of the Year 2000 problem to Executive Management. Since that time, Audubon has replaced key information systems as part of its capital replacement program, thus avoiding the need to remediate those systems. Audubon purchases key software systems in lieu of developing in house software. Therefore, it is not generally necessary to change programming code to correct the Year 2000 problem. Rather, Audubon must install (and test where necessary) vendor software including updates that are Year 2000 ready.

The Information Systems department surveyed each administrative and operating department in 1998 to inventory and identify hardware and software that could be impacted by the Year 2000 problem. Vendors and equipment suppliers have been contacted to assist in assessing Year 2000 solution paths. This assessment process will continue into 1999 though such assessments are believed complete with respect to mission critical systems. In some cases, the correction path includes equipment and system replacements that are scheduled for 1999. The 1999 work plan includes reconfirming the need for and status of Year 2000 corrections with department heads and operating personnel by June 1999 in order to provide added assurance that critical risks have been addressed. Additional replacement or remediation activities may result from the 1999 survey work.

Due to the unprecedented nature of the Year 2000 issue and its projected effects, the success of related remediation and replacement efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot provide complete assurance that museum operations will not be adversely impacted or interrupted.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT

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

To the Audubon Commission:

We have audited the general-purpose financial statements of the Audubon Commission (the Commission), a component unit of the City of New Orleans, as of and for the year ended December 31, 1998, and have issued our report thereon dated March 31, 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 Commission's general-purpose 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. Providing an opinion on compliance with those provisions was not an objective of our audit, however, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting 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 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 audit committee and management and the City of New Orleans, but is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
March 31, 1999