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Audubon Commission

Management's Discussion and Analysis, Financial Statements as of and for the Year Ended December 31, 2003 and Independent Auditors' Report

AUDUBON COMMISSION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Audubon Commission's (the "Commission") financial performance provides an overall review of the Commission's financial activities for the year ended December 31, 2003. It should be read in conjunction with the combining financial statements in this report.

Overview of the Financial Statements

This annual report consists of four components – the Management's Discussion and Analysis (this section), the Independent Auditors' Report, the Combining Financial Statements, and the Auditors' Report on Compliance and on Internal Control over Financial Reporting.

The *Combining Financial Statements* of the Commission report the combining financial position of the Commission and the combining results of its operations and its cash flows. The combining financial statements are prepared on the accrual basis of accounting.

The *Combining Balance Sheet* includes all of the Commission's assets and liabilities and provides information about the Commission's investments in resources (assets) and its obligations to the Commission's creditors (liabilities). It also provides information on the capital structure of the Commission, and the liquidity and financial flexibility of the Commission.

The *Combining Statement of Revenues, Expenses and Changes in Net Assets* reports on the current year's performance of the Commission's operations.

The *Combining Statement of Cash Flows* provides information on the Commission's cash from operations, investing and financing activities.

The *Notes to Financial Statements* provide information that is essential in order to gain a full understanding of the data in the combining financial statements.

The last section, the *Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards,* briefly discusses the Commission's compliance and internal control that could affect the financial statements amounts.

Financial Highlights

- Net Assets increased $7,684,517 or 9.2% over 2002 due to 2003 net income. Net income in 2002 totaled $4,706,380.
- Restricted Assets decreased $3,014,550 over 2002 and Restricted Liabilities decreased $902,478 over 2002.
- Additions to Capital Assets totaled $19,468,342 in 2003. Major additions are summarized on page 4.
- Current Liabilities increased $1,924,970 partly due to an increase in the payable due to the Audubon Nature Institute Inc. The Institute manages and operates the Audubon Commission under a contractual management agreement. Common or central bank accounts are used to achieve economies of scale.

- Long-term Liabilities decreased by $2,722,392 or 5% over 2002 due to payments of debt service on bonds payable. On July 9, 2003, the Commission issued $22,285,000 Aquarium Refunding Bonds, Series 2003 A with an average interest rate of 3.726%. The proceeds of this issue were used to advance refund $22,565,000 of the Audubon Commission Aquarium Bonds, Series 1993. The 2003 A series bonds were issued on complete parity with the Aquarium Refunding Bonds, Series 2001 A and 2001 B.

Audubon Commission Operating Facilities Net Results for the year ended December 31, 2003* With Prior Year and Budget Comparisons

(In Thousands)

	Actual 2003	Actual 2002	*VARIANCE*	Budget 2003	*VARIANCE*
Aquarium/IMAX Woldenberg Riverfront Park	$4,498	$3,824	$ 674	$ 3,824	$ 674
Audubon Zoo and Park & Audubon Golf Course	(3,394)	(2,845)	(549)	(3,078)	(316)
Research Center/Species Survival Center	(118)	(80)	(38)	(5)	(113)
Nature Center	(113)	(86)	(27)	(41)	(72)
TOTAL OPERATIONS	$ 873	$ 813	$ (60)	$ 700	$ 173

* Excludes capital revenues and expenditures, and the depreciation associated with buildings and fixed exhibitry.

There were no significant variances between actual and budget net results for the year 2003.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31	2003	2002	Change
Operating Revenues	$ 28,917,848	$ 25,659,712	$ 3,258,136
Operating Expenses	39,005,516	35,283,909	3,721,607
Operating Loss	(10,087,668)	(9,624,197)	(463,471)
Non Operating Revenues, net	17,772,185	14,330,577	3,441,608
Net Income	$ 7,684,517	$ 4,706,380	$ 2,978,137

Comments on Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating Revenues and Expenses

- Increase in revenues can be attributed to the following:
    - Admissions Revenue of $13,861,000 exceeded the prior year by $1,320,000. Overall visits for 2003 were approximately 2.2 million.
    - The newly renovated Audubon Park Golf Course and new Audubon Park Clubhouse generated additional revenues of approximately $1,540,000.
    - Membership revenues increased by $228,400 over 2002.
    - The new Gottesman Family Endangered Species Carousel ride generated additional revenue of approximately $106,000.
- The increase in operating expenses can be mainly attributed to the following:
    - Materials, supplies, contractual services:
        - Additional costs relating to the management of the newly renovated Audubon Park Golf Course and new Audubon Park Clubhouse.
    - Salaries and benefits:
        - Additional staff due to the opening of the Audubon Park Clubhouse.
        - Higher medical and other employee benefit costs.
        - Salary adjustments in various departments to allow for cost of living increases and also to match similar industry salary and wage rates.

Non-Operating Revenues

- Private and government grants and donations for capital projects, education programs and operating support exceeded prior year by $2,59(174. The increase can be attributed to additional grants received in 2003 for capital projects at Audubon Zoo and Park and Audubon Insectarium.

Audubon Commission-Net Capital Assets

	Beginning Balance 2003	Additions	Depreciation/ Retirements 2003	Ending Balance 2003
Aquarium and Riverfront Park	$ 63,821,322	$ 1,098,887	$(3,254,590)	$ 61,665,619
Audubon Insectarium		10,978,829	(27,963)	10,950,866
Audubon Zoo & Park	41,315,168	4,972,470	(2,373,577)	43,914,061
Audubon Golf Course	8,374,760	2,323,802	(123,207)	10,575,355
Survival Center/ Research Center	15,170,080	76,638	(861,157)	14,385,561
Louisiana Nature Center	694,684	17,716	(165,841)	546,559
Total	**$ 129,376,014**	**$19,468,342**	**$(6,806,335)**	**$ 142,038,021**

- The Audubon Park Clubhouse, featuring a golf pro shop and "casual food in a fine dining atmosphere" opened to the public in April. Wrap-around verandas with views of majestic live oak trees created a relaxing setting for breakfast, lunch and post-golf outing drinks that quickly attracted a loyal following of golfers and diners from across the city.

- Audubon Zoo's Gottesman Endangered Species Carousel, with a colorful mix of endangered animals and traditional carousel favorites, was dedicated in May 2003. Three new birthday party rooms adjacent to the carousel proved to be extremely popular for weekend celebrations. The old train station, located on the edge of the carousel plaza, was renovated into a concession stand; a simulator ride experience will be added to the area in 2004 to provide a recreational alternative for teenagers. One unforeseen benefit of this area's increased activity was a dramatic rise in Swamp Train riders.

- Audubon Zoo dedicated the Jeri and Robert Nims Community Center in October 2003. The Center will allow Audubon to expand education programs and better serve our community. It includes an early-childhood classroom, a technology classroom with computers and microscopes, an outdoor classroom, and a meeting room with full a/v capabilities.

- Construction and exhibit fabrication for Audubon Insectarium continued in 2003. The General Services Administration awarded a contract to Roy Anderson for improvements to the Custom House space leased to Audubon. Fabrication of Formosan Subterranean Termites, Life Underground, Louisiana Swamp, and the Field Camp neared completion. Animation development and filming progressed for Awards Night multi-sensory theater experience, while fascinating insect behavior was captured on High Definition film. The Audubon Insectarium will open in 2005. Audubon Insectarium capital project expenditures to date were transferred from the Audubon Nature Institute Inc. to the Audubon Commission in 2003. The Audubon Insectarium is a facility of the Audubon Commission. All future revenues and expenditures w l be included in the Audubon Commission books.

- Other capital improvements included expanded rockwork for the Zoo's gorilla exhibit, renovation of Audubon Louisiana Nature Center's Interpretive Center Amphitheater, and new lighting and graphics for Audubon Aquarium of the America's Jellies exhibit.

- Planning progressed for Audubon Zoo's new giraffe encounter and whooping crane exhibit, an aquatics facility and a staff building on the grounds of Freeport-McMoran Audubon Species Survival Center, and an IMAX film focused on Louisiana's wetlands.

Audubon Commission-Statement of Net Assets

	2003	2002	Change
Assets			
Cash and Cash Equivalents	$ 2,173,894	$ 5,776,306	$(3,602,412)
Accounts Receivable	386,483	458,257	(71,774)
Accrued Interest Receivable	0	23,489	(23,489)
Prepaid Items	1,026,139	690,423	335,716
Inventory	743,750	700,346	43,404
Restricted Assets	1,466,003	4,480,553	(3,014,550)
Nondepreciable Capital Assets	800,000	800,000	-
Depreciable Capital Assets, Net	141,238,021	128,576,014	12,662,007
Other Assets	11,626,093	11,970,378	(344,285)
Total Assets	**$ 159,460,383**	**$ 153,475,766**	**$ 5,984,617**
Liabilities			
Accounts Payable	$ 4,243,394	$ 4,893,976	(650,582)
Payable to Audubon Nature Institute	8,271,159	5,695,607	2,575,552
Payables from restricted assets	3,121,079	4,023,557	(902,478)
Long term liabilities	52,489,756	55,212,148	(2,722,392)
Total Liabilities	**$ 68,125,388**	**$ 69,825,288**	**$(1,699,900)**

Net Assets			
Invested in Capital Assets	$ 88,684,355	$ 75,541,308	$13,143,047
Unrestricted	2,650,640	8,109,170	(5,458,530)
Total Net Assets	91,334,995	83,650,478	$ 7,684,517
Total Liabilities and Net Assets	$ 159,460,383	$ 153,475,766	$ 5,984,617

Comments on the Statement of Net Assets

- The decrease of $3,014,550 in Restricted Assets can be attributed to a decrease in Accounts Receivable for capital improvements and the release of a prior debt service reserve fund.

- Net Depreciable Capital Assets increase of $12,662,007 is mainly due to an increase in net capital assets of the Audubon Insectarium and the Audubon Zoo & Park of $10,978,829 and $4,972,470, respectively, offset by the increase in accumulated depreciation.

- The decrease in Long Term Liabilities is mostly attributable to the bondholder's payment of Limited Tax Bonds and Revenue Bonds of $1,875,000 and $1,065,000, respectively.

Noteworthy Achievements in 2003

- Scientists at Audubon Center for Research of Endangered Species produced Ditteaux, an endangered African wildcat that is the world's first wild carnivore clone. His embryo was created using nuclear transfer, a process that was successfully replicated with the births of Miles and Otis. All three cats carried the same DNA as Jazz, who made headlines in 1999 as the world's first successful frozen/thawed embryo transfer. Research Center scientists also produced two other world's firsts in 2003: an African caracal cat created from a frozen/thawed embryo and an African serval cat born via in vitro fertilization followed by embryo transfer.

- The baby boom continued at Audubon Zoo, with the births of its first rhino calf named Satchmo; two critically endangered Amur leopard cubs; a colobus monkey; a giant anteater; two white-winged wood ducks; and two bali mynah chicks. The Zoo also played a major role in preserving one of the world's most endangered amphibians, the Puerto Rican crested toad, by bringing 1,000 tadpoles hatched in New Orleans to Puerto Rico for release.

- Audubon Zoo education department partnered with Orleans Parish Public schools to develop the area's first Science Signature School. The Zoo was paired with Agnes L. Bauduit Elementary School, which adapted the Zoo's early childhood curriculum as its science program for pre-K and Kindergarten students. The Zoo also trained all Bauduit teachers on using informal science resources to their fullest. In 2004-05, the Aquarium will partner with Edgar P. Harney to develop a second Science Signature school.

- Audubon Nature Institute received a prestigious Institute of Museum and Library Services grant to develop WILD Lab, a web-based curriculum focusing on Louisiana's wetlands.

- The U.S. Fish and Wildlife Service awarded Audubon Center for Research of Endangered Species a $1.2 million appropriation to develop a Whooping Crane breeding and research facility. Using assisted reproduction protocols developed in its highly successful Mississippi sandhill crane program, the Research Center will initially augment the Whooping Crane captive population with a goal of ultimately establishing a flock in Louisiana.

- Audubon's Community Relations program, underwritten by HCA, the Healthcare Company, distributed over 100,000 Learning Adventure coupons—good for $2/head admission for up to six people—to Orleans and Jefferson Parish public school students, teachers and employees in Title I schools. Over 40,000 coupons were redeemed. The program also helped Audubon exceed its goal of filling 25% of positions paying $25,000 and up with qualified minority candidates: 37% of these positions were filled with minority candidates.

- Over 120,000 7th through 12th grade students across the state received Taylor/Audubon Students and Scholars memberships to the Aquarium and/or Zoo. The one year membership allows each student and one parent or guardian to visit the member facility free.

Statement of Purpose/Mission Statement

Audubon Nature Institute is a 501 (c) 3 not-for-profit entity that manages and operates the Audubon Commission's facilities consisting of nine museums and parks dedicated to *Celebrating the Wonders of Nature.* To meet its goals of fostering education, research, wildlife conservation, family entertainment, and positive economic impact, Audubon Commission annually offers over 2 million people the chance to explore some of the world's most intriguing natural habitats, from native Louisiana swamplands to the exotic Amazon Rainforest. Through its public facilities—Audubon Zoo, Audubon Park, Audubon Aquarium of the Americas, Entergy IMAX® Theatre, Woldenberg Riverfront Park, and Audubon Louisiana Nature Center and Wilderness Park, Audubon has given New Orleans families and their visitors new and ever-expanding opportunities to enjoy and contemplate the wonders of life. And through its research arms, Audubon Center for Research of Endangered Species and Freeport-McMoRan Audubon Species Survival Center, it works to ensure the same opportunities for future generations.

Decisions at all Audubon facilities are measured against the eight basic tenets of its mission statement: provide a guest experience of outstanding quality; exhibit the diversity of wildlife; preserve native Louisiana habitats; educate our diverse audience about the natural world; enhance the care and survival of wildlife through research and conservation; provide opportunities for recreation in natural settings; operate a financially self-sufficient collection of museums and parks; and weave quality entertainment through the guest experience. Developed by senior staff with input from its employees in July 1995, the mission statement was officially approved by the Audubon Nature Institute Board of Directors and signed by all employees in August 1996.

Audubon Nature Institute manages its nine facilities on behalf of the city of New Orleans, under contract with the Audubon Commission, the public agency entrusted with its care since 1914. Audubon Nature Institute has grown from 100 percent city/state funding for Audubon Zoo operating expenses to 100 percent self-sustaining on earned income for all of its public facilities. Audubon holds a ten-year management contract with the Audubon Commission that is renewed each year. This unique public/private partnership allows the Commission to fulfill public responsibilities of capital funding and ownership while enabling Audubon to shape education and conservation initiatives.

The Audubon Commission (AC), a 24-member board appointed to six-year terms by the Mayor of New Orleans, is the highest governing body for all nine facilities. All members must be voters registered in Orleans Parish. The AC meets quarterly, administers all voter-approved monies from bond or tax revenues, and approves and controls design and development of Audubon projects. Audubon Nature Institute's 32-member board, elected by the member households of Audubon Zoo and Audubon Aquarium of the Americas, Audubon Louisiana Nature Center, meets six times annually and administers funds generated by facility operations and fund-raising.

History

The genesis of Audubon Nature Institute is rooted in historic Audubon Park, a natural setting for family recreation since the 1800s, and Audubon Zoo, which evolved from a single flight cage built in 1916 to a 58-acre habitat ranking among the nation's exemplary zoos and standing as a vital public advocate for conservation and environmental education.

Strong public and private support for the Zoo resulted in the facility's Phoenix-like rise in the 1970s when it replaced cramped cages with lush natural habitats and shifted its image from "animal ghetto" to "urban oasis." The success of the Zoo (funded by the 1972 passage of a special referendum that generated $1.9 million in general obligation bonds for its restoration) provided impetus for future Audubon Nature Institute projects, which inspired similar levels of community support and commitment. Woldenberg Riverfront Park opened in 1989, giving the city its first direct access to the downtown Mississippi riverfront and providing a breathtaking setting for Audubon Aquarium of the Americas (1990), where visitors explore aquatic environs ranging from the Caribbean Sea to the Gulf of Mexico; Freeport-McMoRan Audubon Species Survival Center, a 1,200-acre sanctuary where endangered animals, exotic and indigenous, live and breed undisturbed, debuted in 1993; Audubon Louisiana Nature Center, an 86-acre preserve within the New Orleans city limits merged with the Institute in 1994; Entergy IMAX® Theatre at the Aquarium premiered in 1995, utilizing the most advanced motion picture technology available to transport audiences into the world's amazing environments; Audubon Center for Research of Endangered Species opened in 1996 and is now developing new protocols for assisted reproduction techniques to advance successful breeding of critically endangered species; and Wilderness Park began operating as an educational "field" resource for life science study by school and scout groups in 1996. Audubon Nature Institute plans to open Audubon Insectarium, which will focus on the world of insects and arthropods, in 2005.

Contacting the Commission's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Commission's finances. If you have any questions about this report or need additional financial information, please contact the Director of Finance, Audubon Nature Institute, 6500 Magazine Street, New Orleans, LA 70118.

Deloitte.

Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Audubon Commission:

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, 2003, 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. The prior year summarized memorandum only totals have been derived from the general-purpose financial statements of the Audubon Commission as of December 31, 2002 and for the year then ended and, in our report dated April 25, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Commission as of December 31, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 1 through 8 is not a required part of the basic consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Commission's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2004 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

April 29, 2004

AUDUBON COMMISSION

PROPRIETARY FUND TYPE—ENTERPRISE FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2003

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Memorandum Only	
							2003	2002
CURRENT ASSETS:								
Cash and temporary investments	$ 2,075,012	$ -	$ 95,082	$ 2,100	$ 250	$ 1,450	$ 2,173,894	$ 5,776,306
Accounts receivable, net of allowance for uncollectible accounts of $75,000 in 2003 and $114,668 in 2002	144,074		124,384	1,276	116,370	379	386,483	458,257
Accrued interest receivable								23,489
Inventory	116,678		506,934	103,900		16,238	743,750	700,346
Prepaid expenses	679,162		255,226		91,751		1,026,139	690,423
Total current assets	3,014,926		981,626	107,276	208,371	18,067	4,330,266	7,648,821
RESTRICTED ASSETS:								
Debt service and bond reserve	794,839		307,088				1,101,927	3,054,708
Accounts receivable for capital improvements				364,076			364,076	1,425,845
Total restricted assets	794,839		307,088	364,076			1,466,003	4,480,553
CAPITAL ASSETS:								
Land			800,000				800,000	800,000
Buildings and fixed exhibitry	86,704,206		50,915,694	10,207,072	17,614,344	3,332,918	168,774,234	153,389,475
Equipment	8,245,502	197,567	6,414,592	645,802	2,594,401	930,327	19,028,191	17,565,491
Construction in progress	203,221	10,781,262	1,994,085	(4,220)	39,458	1,487	13,015,293	10,445,258
Less accumulated depreciation	(33,487,310)	(27,963)	(16,210,310)	(273,299)	(5,862,642)	(3,718,173)	(59,579,697)	(52,824,210)
Net capital assets	61,665,619	10,950,866	43,914,061	10,575,355	14,385,561	546,559	142,038,021	129,376,014
OTHER ASSETS:								
Prepaid rent—Dock Board	9,610,510						9,610,510	9,726,310
Investment—Riverfront Economic Development Agreement	1,224,418						1,224,418	1,323,622
Bond issue costs	762,030		29,135				791,165	920,446
Total other assets	11,596,958		29,135				11,626,093	11,970,378
TOTAL ASSETS	$ 77,072,342	$ 10,950,866	$ 45,231,910	$ 11,046,707	$ 14,593,932	$ 564,626	$ 159,460,383	$ 153,475,766

(Continued)

AUDUBON COMMISSION

PROPRIETARY FUND TYPE—ENTERPRISE FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2003

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Memorandum Only 2003	Memorandum Only 2002
CURRENT LIABILITIES:								
Accounts payable and other accrued liabilities	$ 2,365,198	$ 2,374	$ 1,282,204	$ 208,838	$ 361,586	$ 23,194	$ 4,243,394	$ 4,893,976
Due to Audubon Nature Institute	8,271,159						8,271,159	5,695,607
Total current liabilities	10,636,357	2,374	1,282,204	208,838	361,586	23,194	12,514,553	10,589,583
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:								
Accrued interest	140,665						140,665	152,016
Revenue bonds-current portion	900,874						900,874	915,874
Limited tax bonds-current portion	1,644,424		185,000				1,829,424	1,688,983
Construction payables	12,711		236,546		859		250,116	1,266,684
Total payable from restricted assets	2,698,674		421,546		859		3,121,079	4,023,557
Total current liabilities	13,335,031	2,374	1,703,750	208,838	362,445	23,194	15,635,632	14,613,140
LONG-TERM LIABILITIES:								
Revenue bonds	9,416,990						9,416,990	10,317,864
Limited tax bonds	37,437,511		3,275,000				40,712,511	44,456,959
Unamortized premium (discount)—net	1,289,419						1,289,419	(608,511)
Loan payable			1,070,836				1,070,836	1,045,836
Total long-term liabilities	48,143,920		4,345,836				52,489,756	55,212,148
Total liabilities	61,478,951	2,374	6,049,586	208,838	362,445	23,194	68,125,388	69,825,288
NET ASSETS:								
Invested in capital assets, net of related debt	12,379,894	10,950,866	39,482,902	10,939,430	14,384,703	546,560	88,684,355	75,541,308
Unrestricted	3,213,497	(2,374)	(300,578)	(101,561)	(153,216)	(5,128)	2,650,640	8,109,170
Total net assets	15,593,391	10,948,492	39,182,324	10,837,869	14,231,487	541,432	91,334,995	83,650,478
TOTAL LIABILITIES AND NET ASSETS	$77,072,342	$10,950,866	$45,231,910	$11,046,707	$14,593,932	$564,626	$159,460,383	$153,475,766

See notes to financial statements.

(Concluded)

AUDUBON COMMISSION

PROPRIETARY FUND TYPE—ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Memorandum Only 2003	Memorandum Only 2002
OPERATING REVENUES:								
Charges for services	$ 15,053,703	$ -	$ 10,833,663	$ 1,818,402	$ 40	$ 410,848	$ 28,116,656	$ 24,790,720
Miscellaneous	429,560		361,387		10,000	245	801,192	868,992
Total operating revenues	15,483,263		11,195,050	1,818,402	10,040	411,093	28,917,848	25,659,712
OPERATING EXPENSES:								
Salaries and benefits	6,529,409		8,779,137	1,146,196	627,799	486,494	17,569,035	15,453,452
Contractual services, materials, supplies, other	6,789,878		5,955,981	884,902	630,011	250,504	14,511,276	13,307,639
Depreciation and amortization	3,351,334	23,192	2,374,618	123,604	889,128	163,329	6,925,205	6,522,818
Total operating expenses	16,670,621	23,192	17,109,736	2,154,702	2,146,938	900,327	39,005,516	35,283,909
OPERATING LOSS	(1,187,358)	(23,192)	(5,914,686)	(336,300)	(2,136,898)	(489,234)	(10,087,668)	(9,624,197)
NONOPERATING REVENUES (EXPENSES):								
Audubon Institute grants for capital projects, education programs and operating support	69,555	5,089,347	2,434,976		2,021,541	201,785	9,817,204	4,119,327
Dedicated tax revenues	6,922,328		744,118				7,666,446	7,792,567
Interest expense	(3,256,805)		(221,985)				(3,478,790)	(3,351,219)
Intergovernmental grants for capital projects	296,048		1,184,566	1,623,609			3,104,223	6,211,926
Grant expenses	(2,055)		(129,540)		(868,053)	(2,500)	(1,002,148)	(995,705)
Interest income	870,251		130,463		300,000	51,000	1,351,714	720,725
Amortization—debt costs	(142,818)		(3,797)				(146,615)	(167,044)
Other	460,151						460,151	
Total nonoperating revenues—net	5,216,655	5,089,347	4,138,801	1,623,609	1,453,488	250,285	17,772,185	14,330,577
INCOME (LOSS) BEFORE TRANSFERS	4,029,297	5,066,155	(1,775,885)	1,287,309	(683,410)	(238,949)	7,684,517	4,706,380
TRANSFERS IN (OUT):								
Transfers in		5,882,337	5,842,572	120,808		106,242	11,951,959	4,633,481
Transfers out	(11,822,121)				(129,838)		(11,951,959)	(4,633,481)
Total transfers	(11,822,121)	5,882,337	5,842,572	120,808	(129,838)	106,242		-
NET INCOME (LOSS)	(7,792,824)	10,948,492	4,066,687	1,408,117	(813,248)	(132,707)	7,684,517	4,706,380
NET ASSETS—Beginning of year	23,386,215		35,115,637	9,429,752	15,044,735	674,139	83,650,478	78,944,098
NET ASSETS—End of year	$ 15,593,391	$ 10,948,492	$ 39,182,324	$ 10,837,869	$ 14,231,487	$ 541,432	$ 91,334,995	$ 83,650,478

See notes to financial statements.

AUDUBON COMMISSION

PROPRIETARY FUND TYPE—ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Memorandum Only 2003	Memorandum Only 2002
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers	$ 15,484,346	$ -	$11,406,480	$ 1,817,126	$ (105,555)	$ 410,714	$ 29,013,111	$25,658,726
Cash paid to or on behalf of employees	(6,851,065)	2,374	(9,128,579)	(1,152,307)	(660,882)	(501,428)	(18,291,887)	(15,335,103)
Cash paid for supplies and services	(4,248,477)		(6,360,733)	(931,473)	(453,463)	(248,428)	(12,242,574)	(12,089,055)
Cash provided by (used in) operating activities	4,384,804	2,374	(4,082,832)	(266,654)	(1,219,900)	(339,142)	(1,521,350)	(1,765,432)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Grants from Audubon Institute for capital projects, education and operating support	69,555	5,089,347	2,434,976		2,021,541	201,785	9,817,204	4,119,327
Payments for projects' design, construction and equipment purchases	(1,121,501)	(10,978,829)	(4,921,622)	(2,323,802)	(76,638)	(17,716)	(19,440,108)	(9,859,514)
(Increase) decrease in restricted assets	1,952,781		24,395	1,037,374			3,014,550	(924,932)
Increase (decrease) in restricted liabilities	(11,351)		(759,139)	(189,439)	859	(2,180)	(961,250)	549,376
Dedicated tax revenues	6,922,328		744,118				7,666,446	7,792,567
Interest paid	(3,256,805)		(221,985)				(3,478,790)	(3,351,219)
Payment of bond principal	(2,765,000)		(175,000)				(2,940,000)	(2,820,000)
Early extinguishment of 1993 tax bonds	(20,588,646)						(20,588,646)	
Proceeds from issuance of 2003 tax bonds	23,433,783						23,433,783	
Payment of issuance costs	(417,483)						(417,483)	
Deferred loss on extinguishment of bonds	(2,427,655)						(2,427,655)	
Interest income	870,251		130,463		300,000	51,000	1,351,714	720,725
Intergovernmental and other grants	296,048		1,184,566	1,623,609			3,104,223	6,211,926
Grant expenses	(2,055)		(129,540)		(868,053)	(2,500)	(1,002,148)	(995,705)
Other	860,373	4,771	(52,190)	(396)	(27,971)	2,511	787,098	32,444
Transfers (to) or from other facilities	(11,822,121)	5,882,337	5,842,572	120,808	(129,838)	106,242		
Cash (used in) provided by capital and related financing activities	(8,007,498)	(2,374)	4,101,614	268,154	1,219,900	339,142	(2,081,062)	1,474,995
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,622,694)		18,782	1,500			(3,602,412)	(290,437)
CASH AND TEMPORARY INVESTMENTS—Beginning of year	5,697,706		76,300	600	250	1,450	5,776,306	6,066,743
CASH AND TEMPORARY INVESTMENTS—End of year	$ 2,075,012	$ -	$ 95,082	$ 2,100	$ 250	$ 1,450	$ 2,173,894	$ 5,776,306
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
Operating loss	$ (1,187,358)	$ (23,192)	$(5,914,686)	$ (336,300)	$ (2,136,898)	$ (489,234)	$(10,087,668)	$ (9,624,197)
Adjustments to reconcile operating loss to cash provided by (used in) operations:								
Depreciation and amortization	3,351,334	23,192	2,374,618	123,604	889,128	163,329	6,925,205	6,522,818
(Increase) decrease in accounts receivable and other current assets	(390,878)		386,185	(77,461)	(205,086)	3,383	(283,857)	(395,495)
Increase (decrease) in accounts payable and other current liabilities	2,611,706	2,374	(928,949)	23,503	232,956	(16,620)	1,924,970	1,731,442
Cash provided by (used in) operating activities	$ 4,384,804	$ 2,374	$(4,082,832)	$ (266,654)	$ (1,219,900)	$ (339,142)	$ (1,521,350)	$ (1,765,432)

See notes to financial statements.

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 (the 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 309, passed by the 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 United States Coast Guard property. The United States Coast Guard has granted the Commission a 25-year land use license with a 25-year renewal option. Improvements completed on this site by the Commission include a 36,000 square-foot research laboratory.

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

During 2002, construction began on the latest Audubon facility, the Audubon Insectarium. All 2002 construction costs were recorded on the Audubon Nature Institute, Inc.'s financial statements and were transferred to the Commission in 2003. The Insectarium will be located in the Customs House building and is expected to open in 2005.

The Commission has contractual management agreements with the Audubon Nature Institute, Inc. (the Institute), a nonprofit organization, under which the Institute manages and operates the Commission facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Audubon Insectarium, 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.

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 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 total net assets. The Commission maintains one proprietary fund type – the enterprise fund.

Basis of Accounting—The Commission prepares financial statements in accordance with accounting principles generally accepted in the United States. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Basis of Reporting—Effective January 1, 2002, the Commission adopted Governmental Accounting Standards Board Statement (GASBS) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASBS No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt*—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted*—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of GASBS No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the statement, the reflection of capital contributions and additions to endowments as changes in net assets, the reclassification of interest income to non-operating revenue, the reclassification of interest expense to non-operating expenses, and the change from the indirect to the direct method of reporting cash flows from operating activities.

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.

Investments—Investments are stated at cost or amortized cost, which does not materially differ from market value.

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

Capital Assets—Capital assets are recorded at historical cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives (ranging from 20 – 40 years for buildings and fixed exhibitry and 3 – 15 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 or expense for the period. The cost of maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized.

Vacation and Sick Leave—Annual vacation leave and sick leave are accrued when earned in the enterprise funds (approximately $493,000 and $538,000 at December 31, 2003 and 2002, respectively) and reported in accounts payable and other accrued liabilities in the combining balance sheet.

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 accounting principles generally accepted in the United States. Such data is not comparable to a consolidation since interfund eliminations have not been made.

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, 2003 consisted of unrestricted cash and investments of $2,173,894.

Budgeting—Operating and capital expenditure budgets are adopted by the Commission on a basis consistent with accounting principles generally accepted in the United States. Budget information is utilized for analytical purposes, and the budget process is a key component of the Commission's management control environment.

Membership Revenue Recognition—The Commission sells annual Aquarium, Zoo and Nature Center memberships. The primary membership benefit is admission to these facilities at no additional costs during the membership term. The earnings process is considered complete at the time of sale since no incremental costs are incurred as a result. Accordingly membership revenues are recognized when Audubon receives payment and issues the membership card.

Reclassifications—Certain reclassifications of prior year amounts have been made to conform to the current year's presentation. These reclassifications were made for comparative purposes only and had no effect on net income as previously reported.

2. CASH AND TEMPORARY INVESTMENTS

Cash on Deposit and Time Certificates of Deposit—The Commission's deposits at banks at December 31, 2003 were $2,048,894 (excluding $125,000 of cash on hand and excluding certificates of deposit totaling $307,088 that are categorized as restricted assets). The bank balances with respect to these deposits were $2,900,809. 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 ollateralized 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, 2003, $2,128,260, $207,088 and $565,461 of the bank balance of the Commission's cash was Category 1, Category 2 and Category 3 level of risk, respectively.

Investments—The carrying and market values of the Commission's investments (including certificates of deposit) as of December 31, 2003 were approximately $1,101,927. At December 31, 2003, all of the Commission's investments are Category 2 level of risk which includes uninsured and unregistered investment securities held by 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 of the 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 was recorded as prepaid rent and is being amortized over the remaining term of the agreement.

In consideration for $2,000,000 of the payment, 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 were discontinued at the Rivergate, the agreement provided 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. Parking operations were discontinued and the City has elected to continue paying the $200,000 annually through 2011. 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 5). These costs are being amortized over the life of the bonds.

4. CAPITAL ASSETS

A summary of changes in capital assets during 2003 is as follows:

	Beginning Balance 2003	Additions	Retirements/ Transfers	Ending Balance 2003
Land	$ 800,000	$ -	$ -	$ 800,000
Buildings and fixed exhibitry	153,389,475	15,384,759		168,774,234
Equipment	17,565,491	1,513,548	(50,848)	19,028,191
Construction in progress	10,445,258	2,570,035		13,015,293
	$ 182,200,224	$ 19,468,342	$ (50,848)	$ 201,617,718

Depreciation and amortization expense for the year ended December 31, 2003 related to these assets amounted to approximately $6,748,000.

5. BONDS AND LOAN PAYABLE

Bonds payable at December 31, 2003 are comprised of the following:

Limited Tax Bonds:	
3.00% to 5.00% Audubon Commission Aquarium Bonds, Series 2003A due in annual installments of $1,875,000 to $2,695,000 through October 2013.	$22,285,000
3.00% to 5.3/8 % Audubon Commission Aquarium Bonds, Series 2001 A due in annual installments of $10,000 to $3,595,000 through October 2017.	13,475,000
3.00% to 4.70 % Audubon Commission Aquarium Bonds, Series 2001 B due in annual installments of $55,000 to $1,260,067 through October 2021.	6,573,572
5.00% to 6.50 % Audubon Commission Improvement and Refunding Zoo Bonds, Series 1997, due in annual installments of $185,000 to $365,000 through December 2016	3,460,000
Revenue Bonds:	
4.5% to 5.00% 1997 Audubon Commission Aquarium Revenue Refunding Bonds Series 1997, due in annual installments of $1,050,000 to $1,520,000 through April 2012.	11,660,000
Total bonds payable	57,453,572
Deferred losses on refinancings—net of amortization	(4,593,773)
Unamortized premium (net)	1,289,419
Total	54,149,218
Less current maturities and current portion of deferred losses	(2,730,298)
Bonds Payable—long-term	$51,418,920

On July 9, 2003, the Commission issued $22,285,000 Aquarium Refunding Bonds, Series 2003 A with an average interest rate of 3.726%. The proceeds of this issue were used to advance refund $22,565,000 of the Audubon Commission Aquarium Bonds, Series 1993. The 2003 A series bonds were issued on complete parity with the Aquarium Refunding Bonds, Series 2001 A and 2001 B. The advance refund included escrowing $23,685,145 into an irrevocable trust to provide for all future debt service payments on the Series 1993 bonds; therefore the Series 1993 bonds were removed from the balance sheet in 2003. The reacquisition price exceeded the recorded book value by approximately $2.4 million which is reported in the financial statements as a deduction to bonds payable and is being charged to interest expense through 2013 using the straight-line method.

On November 1, 2001, the Commission issued $13,555,000 Audubon Commission Aquarium Refunding Bonds, Series 2001 A and $6,683,572 Audubon Commission Aquarium Bonds, Series 2001 B with an average interest rate of 4.5%. Series A was issued to advance refund $13,390,000 of Aquarium Series 1993 bonds with an average interest rate of 6.25% maturing in October 2014 through 2017. The advance refunding included escrowing $14,573,000 into an irrevocable trust to provide for future debt service for a portion ($13,309,000) of the Aquarium Series 1993 bonds; therefore that portion of the Aquarium Series 1993 bonds was removed from the balance sheet in fiscal 2001. The reacquisition price exceeded the recorded book value by approximately $1.1 million which is reported in the financial statements as a deduction to bonds payable and is being charged to interest expense through 2017 using the straight-line method. Series B was issued to finance further construction, extension and improvement of the Aquarium and related facilities, including the development, design and construction of the Audubon Insectarium. Proceeds from the bonds are also used to pay the costs of issuance of the bonds. These bonds are special and limited obligations of the City payable from and secured solely by the proceeds of a property tax levied at a rate of three and four-fifths mills.

In December 1996, the Commission received a commitment to purchase its $4,500,000 Improvement and Refunding Bonds, Series 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.

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 City's voters. The property taxes are recorded as nonoperating 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 1992 A 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 1992 A bonds; therefore, the 1992 A bonds were removed from the balance sheet. The reacquisition price exceeded the recorded book value by $2.2 million which is reported in the financial statements as a deduction to bonds payable and is being charged to interest expense in equal annual amounts through 2012.

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. Management believes the Commission is in compliance with all such significant limitations and restrictions at December 31, 2003.

A summary of changes in long-term debt during 2003 is as follows:

	Beginning Balance 2003	Additions	Payments	Ending Balance 2003
Limited tax bonds	$47,948,572	$22,285,000	$(24,440,000)	$45,793,572
Revenue bonds	12,725,000		(1,065,000)	11,660,000
	$60,673,572	$22,285,000	$(25,505,000)	$57,453,572

Debt service requirements on all bonds outstanding as of December 31, 2003, including interest payments of approximately $29,010,133, are as follows:

Years Ending December 31	Limited Tax Bonds	Revenue Bonds	Total	Interest Included in Total
2004	$ 3,997,794	$ 1,588,508	$ 5,586,302	$ 2,411,301
2005	3,997,569	1,622,685	5,620,254	2,290,254
2006	3,999,894	1,647,156	5,647,050	2,162,050
2007	3,994,334	1,662,663	5,656,997	2,006,996
2008	4,003,071	1,572,100	5,575,171	1,850,171
Thereafter	52,082,843	6,295,088	58,377,931	18,289,361
	$72,075,505	$14,388,200	$86,463,705	$29,010,133

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 accrue interest at 5%. Each loan is to be repaid annually from 50% of any operating surplus of the Audubon Park and Zoo, excluding any intergovernmental revenues. Amounts not repaid after 25 years are to be forgiven by the lender. The 1982 agreement also requires minimum annual payments of $25,000 which commenced January 1, 1992. Accordingly, the Commission has recorded a repayment liability of $1,070,836 at December 31, 2003 which includes accrued interest. No repayment liability has been recorded under the 1979 loan agreement due to the contingent nature of the agreement.

6. RETIREMENT SYSTEM

Employees of the Institute that provide services for the Commission in accordance with the terms of the management agreement 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 15% of their salary, not to exceed $10,500, and the Commission, through its management agreement with the Institute, matches employee contributions up to 3% of base salary. The retirement expense provision for 2003 amounted to approximately $457,028.

7. RELATED PARTY TRANSACTIONS

The Commission and the Institute are related through the interaction of their Boards of Directors and contractual management agreements under which the Institute manages and operates Commission facilities. To assure efficiencies through economies of scale, these entities often engage in operations through one organization that benefit the other organization. One example of this is the use of common or central bank and investment accounts. As of December 31, 2003, the Commission had a payable balance due to the Institute of approximately $8,271,159.

The Commission also received additional financial support from the Institute in the form of specific gifts and grants of approximately $9,817,204 and distributions from the Institute's Endowment Fund amounting to approximately $1,005,730 (included in interest income) during 2003.

8. COMMITMENTS AND CONTINGENCIES

Litigation—Certain claims and suits have been filed against the Commission. The majority of these claims are covered by insurance and, based on all available information and consultation with the Commission's legal counsel, management does not believe the ultimate resolution of these matters will have a significant effect on the Commission's financial position, results of operations, or cash flows.

Self Insurance Risk Management—The Commission is self-insured for dental insurance benefits. The liability and expense associated with these benefits is not significant.

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Deloitte.

Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

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

Board of Directors
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, 2003, and have issued our report thereon dated April 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. 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 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 and use of the board of directors, management and the City of New Orleans, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

April 29, 2004

Deloitte.

Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

April 29, 2004

The Board of Directors
Audubon Commission
New Orleans, Louisiana

Dear Members of the Board of Directors:

In planning and performing our audit of the financial statements of Audubon Commission for the year ended December 31, 2003 (on which we have issued our report dated April 29, 2004), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Commission's internal control. Such consideration would not necessarily disclose all matters in the Commission's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining internal controls, and of the objectives and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this report. 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 caused by error or fraud 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 Commission's internal control and its operations that we consider to be material weaknesses as defined above.

We did note other matters related to the Commission's internal control and certain other accounting, administrative or operating matters. Our comments are presented in Exhibit I and are listed in the table of contents thereto.

This report is intended solely for the information and use of the board of directors, management, others within the organization and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

Deloitte + Touche LLP

AUDUBON COMMISSION

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EXHIBIT I

JOURNAL ENTRY APPROVAL

Observation:

Journal entries can be made by anyone in the accounting department and all accounting personnel have access to the general ledger system. We noted that no process was in place for the approval of journal entries by appropriate supervisory personnel.

Recommendation:

Audubon should develop procedures and proper levels of approval for all journal entries made to limit the possibility of improper, erroneous or fraudulent journal entries being recorded.

Management Response:

The Finance Department will require next level supervisor approval on all journal entries.

VENDOR MASTER FILE

Observation:

There is unlimited access by all accounting personnel to the vendor and customer master file. This increases the risk that fictitious or unauthorized vendors could be added to the vendor master file.

Recommendation:

While it may be difficult to limit access to the master files due to the size of the accounting department, a review of changes to the master file could be performed by an accounting supervisor. This would reduce the risk of the addition of fictitious vendors to the accounts payable system.

Managements Response:

Access to modify the Vendor Master File has been limited to the Accounts Payable staff. All other Finance Department staff will only be able to view the Vendor Master File. A Master File Change report will be created by the external accounting software support. The report will be reviewed periodically by the Internal Auditor.

REVIEW OF ITEMS IN CONSTRUCTION IN PROGRESS

Observation:

Audubon reviews projects in construction in progress (CIP) at year end to determine their propriety. If there has been no activity on the project for the last 6 months, the project is transferred out of CIP into fixed assets. Some items may not have had any activity the whole year, but are not removed from CIP until the year end review is completed. As such, these items should have been transferred into fixed assets and should have been depreciated during the year and were not.

Recommendation:

Audubon should review its CIP projects more frequently, such as on at least a quarterly basis, and transfer projects with no activity in the last three months into fixed assets to begin depreciating.

Managements Response:

A review of CIP projects will be done on a quarterly basis.

ALLOCATION OF INVESTMENT INCOME

Observation:

Investment income on permanently restricted endowment funds is allocated by the Institute to the Commission based upon the operating needs of each Commission facility, rather than to the specific facility, if any, that was designated in the original gift. Because of the operating surplus available in the Aquarium facility, reallocation of income between Commission facilities can be accomplished irrespective of how investment income is initially allocated. However, failure to allocate investment income to a specific facility designated by a donor could lead to a misunderstanding with the donor base.

Recommendation:

Audubon should consult with legal counsel and its development department on its investment income allocation policy to determine that it is in compliance with the terms of gift instruments.

Managements Response:

Audubon will review its investment income allocation policy to determine that it is in compliance with the donor's intent.

SOURCE DOCUMENTS FOR BONDS

Observation:

Audubon could not locate source documents for certain bond agreements. Therefore, we were unable to verify original bond issue costs and the appropriate amortization of the costs. In addition, no amortization schedules exist for many bond-related issue costs, premiums and discounts.

Recommendation:

Audubon should attempt to obtain copies of the original bond issue documentation and develop amortization tables for issue costs, premiums and discounts on bonds to reduce the risk of improperly amortizing these costs.

Management Response:

An effort will be made to obtain the original documents for the 1997 Zoo Bonds. Amortization tables for issue costs, premiums and discounts on bonds are on file in the Finance Department.

EXHIBIT II

STATUS OF OUR PRIOR YEAR RECOMMENDATION

	Implemented	Partially Implemented	Not Implemented
PAYROLL:			
Access to Payroll System	X		
Employee Master File	X		
Review of Employee Time Cards	X		
OPERATING AGREEMENT:			
Operating Expense Allocation		X	
CAPITAL ASSETS:			
Physical Inventory		X	
ACCRUAL ACCOUNTS:			
Supporting Calculations	X		

EXHIBIT III

UPDATE OF OUR PRIOR YEAR RECOMMENDATIONS

PAYROLL RELATED OBSERVATIONS

Observation:

The Payroll and Benefits Administrator has full access to the payroll system and can process corrections and edits to the payroll accounts without need of a supervisor's signature or review.

Recommendation:

We suggest that someone in Finance or Human Resources sign and approve any significant payroll adjustments. A report could be generated weekly highlighting employees added and payroll adjustments made that could be reviewed and reconciled back to supporting documents on a test basis to ensure all adjustments are proper.

Management's Update:

Per discussion with Renee Brunt, Human Resources Director, she is reviewing the ADP Personnel Change Report and the ADP New Hire Report each payroll period. She agrees the "pink" payroll status change requests to the ADP Personnel Change Report for accuracy, and she agrees the "yellow" payroll input requests to the ADP New Hire Report for accuracy. She notifies Sandy Brandon, Payroll and Benefits Administrator, of any errors.

Observation:

Terminated employees can be removed from the master employee list at only one time during the year. This is due to a restriction by ADP, the external company that handles payroll processing for all Audubon employees. The notification process for departments for terminated employees can be slow but is even slower with voluntary resignations.

Recommendation:

D&T suggests Audubon work with ADP to develop the capacity to update the master employee list at any time during the year to reflect current employee changes. This should assist in preventing terminated employees from receiving improper payroll checks after termination.

Management's Update:

Per discussion with Human Resources personnel and an ADP representative, terminated employees are purged from the payroll system on an annual basis. However, after an employee receives his/her last check, the record is coded as a terminated employee. Therefore, he/she should not receive any further payroll checks after termination. This control procedure effectively addresses the auditors' concerns.

Observation:

We noted during our audit that department supervisors log hours worked by their employees and sign off on time cards. The information is then input by Human Resources. It does not appear that the departments are reviewing a listing of employees paid and amounts paid to test for input errors or employees improperly included in payroll.

Recommendation:

D&T suggests department supervisors review detailed payroll registers for their department to identify any unusual or significant errors.

Management's Update:

As of October 2003, Sandy Brandon, Payroll & Benefits Administrator, sends out a report to each department that lists the number of hours entered and paid for all employees for that payroll period. It is up to the manager/designated departmental payroll employee to verify the accuracy of the report and to report any discrepancies to Sandy.

OPERATING AGREEMENT BETWEEN AUBUDON COMMISSION AND AUDUBON INSTITUTE

Observation:

We noted that the operating agreement between Audubon Commission and Audubon Institute calls for certain costs to be borne by the Institute such as utilities and insurance expenses. These costs, however, are not being treated as Institute costs and instead are recorded on the books and records of the Commission. Per discussion with management, this practice has been consistent for many years.

Recommendation:

We recommend the entities follow the terms of the executed operating agreement or amend the agreement to reflect the current practices. This should eliminate inconsistencies and non-compliance with the operating agreement.

Management's Update:

Prior to the next review date, the operating agreement between Audubon Commission and Audubon Nature Institute will be examined for inconsistencies and non-compliance. All discrepancies will be adjusted at that time.

CAPITAL ASSETS

Observation:

Our procedures disclosed that Audubon maintains no formal policy or procedures for periodically performing physical inventories of it capital assets.

Recommendation:

Periodically validating the physical existence and condition of individual items of property, plant and equipment is an important control in the safeguarding of assets and an important procedure in validating the integrity of Audubon's fixed asset subsidiary records.

We recommend Audubon establish a policy for performing periodic physical observations of property, plant and equipment and reconciling the results of such observations to the capital asset subsidiary records.

Management's Update:

A formal policy for periodically performing physical inventories of capital assets has been drafted and signed by upper management. We are currently reviewing a proposal from ABC Fixed Asset, an inventory control company, to perform a complete physical inventory of our capital assets along with reconciliation to our capital asset subsidiary records.

ACCRUAL ACCOUNTS

Observation:

During our audit no supporting calculation was available for several accrual accounts, specifically the liability for sales tax payable, accrued legal costs and the workers' compensation liability. It appears that there is no existing support for these estimates.

Recommendation:

Audubon should perform an estimation of sales tax payable based upon historical actual payments or an estimate of future payments based upon actual sales. The legal accrual should be adjusted based upon discussion with attorney's handling litigation and their estimate of probable amounts due. The workers' compensation liability should be recorded based upon estimates of open cases as well as unrecorded cases using actual historical experiences on these types of claims. Such accruals should be revisited at least twice a year and adjusted to management's best estimate.

Management's Update:

All accruals will be reviewed on a semi-annual basis and adjusted as necessary.