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# *Audubon Commission*

*Management's Discussion and Analysis,  
Financial Statements as of and for the  
Years Ended December 31, 2005 and 2004,  
Additional Information as of and for the  
Year Ended December 31, 2005, and  
Independent Auditors' Report*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8-9-06

# AUDUBON COMMISSION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Audubon Commission:

We have audited the accompanying statements of net assets of the Audubon Commission (the Commission), a discretely presented component unit of the City of New Orleans, Louisiana, as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Commission as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic 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.

Our audits were conducted for the purpose of forming an opinion on the Commission's basic financial statements. The additional combining information for 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Commission's management. The additional combining information has been subjected to the auditing procedures applied by us in the audit of the 2005 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2005 basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2006 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte & Touche LLP*

June 8, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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, 2005. It should be read in conjunction with the basic financial statements in this report.

### **Overview of the Financial Statements**

This annual report consists of five components – the Management's Discussion and Analysis (this section), the Independent Auditors' Report, the Basic Financial Statements, the Auditors' Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters, and Additional Information.

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

The *Statement of Net Assets* 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 *Statement of Activities* reports on the current year's performance of the Commission's operations.

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

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

The *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With Government Auditing Standards*, briefly discusses the Commission's compliance and internal control that could affect the financial statements amounts.

The last section, the *Additional Information*, provides information on the Combining Statement of Net Assets, Combining Statement of Activities and Combining Statement of Cash Flows.

### **Hurricane Katrina's Impact on Audubon:**

#### *Immediately After the Storm—*

**Audubon Zoo and Audubon Park** sustained tree and roof damage throughout the facilities. The animal collection survived the storm intact, but a raccoon and two river otters were lost shortly after. The Zoo and Park served as staging areas for National Guard, Coast Guard and Special Forces units, while the Golf Club House housed the Fire Department of New York.

**Audubon Aquarium of the Americas and Entergy IMAX Theatre** received glass damage from flying debris and water damage from roof leaks; the Aquarium also lost the majority of its animal collection when

water quality deteriorated due to back-up power supply failures. The facility housed a police substation. Woldenberg Riverfront Park suffered tree damage and served as a campground for first responders.

**At the Audubon Center for the Research of Endangered Species and the Freeport McMoran Audubon Species Survival Center** trees damaged fence lines, and staff was airlifted into the facility to feed animals and prepare them for transport to other facilities.

**Audubon Louisiana Nature Center**, located in New Orleans East, suffered the most catastrophic damage because the facility stood in 6' of flood water for several weeks; its forest was completely destroyed by wind and flood water.

Audubon's administrative offices were temporarily relocated to Baton Rouge. The difficult decision was made to release 600 of 800 full and part-time employees, and work began on emergency fund raising, restoring facilities, and completing paperwork for insurance and FEMA.

#### *Property Damage—*

**Audubon Zoo and Audubon Park, Audubon Aquarium of the Americas and Entergy IMAX Theatre, and Audubon Center for the Research of Endangered Species and the Freeport McMoran Audubon Species Survival Center** sustained property damage approximately in the amount of \$2,700,000, \$2,300,000 and \$350,000, respectively. Full replacement or depreciated costs is expected to be paid on all insured property. The FEMA public assistance disaster recovery program will provide reimbursement of damages not covered by the insurance deductibles of \$250,000 for the Zoo/Park/Golf Course/Nature Center/ACRES and \$500,000 for the Aquarium and any other uninsured damage which is eligible.

**Audubon Louisiana Nature Center**, sustained property damage in the amount of \$550,000. A majority of coverage has been denied due to the nature of the damage (flood vs. wind) and impairment losses of \$445,000 were recorded to write off remaining capital asset balances at December 31, 2005. Audubon is working with FEMA to determine the best means of reimbursement.

#### *Restoring Facilities—*

- Researchers returned to Audubon Center for Research of Endangered Species' laboratories in October. A number of the center's animals, including the African Wild Cat clone offspring, were sent to other zoos for care during this critical time.
- Play began at Audubon Golf Course in early November.
- Audubon Zoo welcomed over 66,000 people during its reopening weekend November 25–27. Admission was free as a special gift to the city. The Zoo operated on a weekends-only schedule until year end, when it remained open during the week between Christmas and New Year's. Radio Disney's Noon Year's Eve was held at the Zoo on December 31. The Zoo, through Community Relations, hosted a toy giveaway for the families housed on cruise ships.
- Audubon Park's Riverview hosted VooDoo Fest, a major music festival, on October 29.
- The water quality in the Aquarium's tanks was restored, and collecting plans were developed. A number of survivors had been sent to other aquariums: sea otters and penguins went to Monterey, Mydas the giant sea turtle went to Moody Gardens, and the Leafy Sea Dragons went to Dallas World Aquarium. Mydas was the first of these animals to return home in early October. Aquariums and individuals around the country have donated fish to help rebuild the collection.

- Audubon is executive producer of an IMAX film on Louisiana's wetlands, and principal photography was completed when Hurricane Katrina made landfall. MacGillivray Freeman Films was in New Orleans the week after the storm and captured images of the aftermath. The film now clearly shows the impact of vanishing wetlands on New Orleans and is titled "Hurricane on the Bayou." It will premiere at Entergy IMAX Theatre on August 29, 2006.

The Aquarium and IMAX theater will reopen on May 26, 2006. On May 30, the Zoo, Aquarium and IMAX will operate 6 days a week and will open for major Monday holidays.

Audubon is committed to offering the community world-class facilities where families can "celebrate the wonders of nature" and to helping rebuild New Orleans' tourism industry.

***Fund Raising Efforts—***

- Fund raising events held in Aspen, CO; New York, NY; and Cincinnati, OH generated over \$600,000
- The Association of Zoos and Aquariums (AZA) launched a special fund coordinated by Lincoln Park Zoo in Chicago to accept donations for Audubon. Zoos and Aquariums around the country participated in "Audubon October," placing collection boxes at their facilities and promoting awareness of Audubon's Hurricane Katrina Save the Animals Fund. AZA initiatives raised \$1 million.
- Audubon's website was repositioned to focus on fundraising and general information sharing.
- A strong personal solicitation program continued with individuals, corporations and foundations around the country. Including Chase Zoo-to-Do events, Audubon's private fund raising efforts raised over \$6 million in 2005.

**Financial Highlights**

- Net Assets increased by \$7,415,023 or 8.2% over 2004.
- Additions to Capital Assets totaled \$10,240,884 in 2005. Major additions are summarized on page 6.
- Current Liabilities decreased \$618,163 partly due to a reduction in the payable due to the Audubon Nature Institute Inc. The Institute manages and operates the Audubon Commission facilities under a contractual management agreement.
- Long-term Liabilities decreased by \$3,126,042 or 6.3% from 2004 due to payments of debt service on bonds payable.

**Audubon Commission Operating Facilities Net Results for the Year Ended December 31,  
2005 With Prior Year and Budget Comparisons**

	Actual 2005	Actual 2004	Variance (In thousands)	Budget 2005	Variance
Aquarium/IMAX Woldenberg Riverfront Park	\$ 5,524	\$ 4,850	\$ 674	\$ 4,319	\$ 1,205
Audubon Zoo and Park & Audubon Golf Course	(4,431)	(3,728)	(703)	(3,386)	(1,045)
Research Center/Species Survival Center	(243)	(333)	90	(67)	(176)
Nature Center	<u>(237)</u>	<u>(143)</u>	<u>(94)</u>	<u>(216)</u>	<u>(21)</u>
Total operations*	<u>\$ 613</u>	<u>\$ 646</u>	<u>\$ (33)</u>	<u>\$ 650</u>	<u>\$ (37)</u>
Net capital income and expense	<u>6,802</u>	<u>(1,157)</u>	<u>7,959</u>		
Change in net assets	<u>\$ 7,415</u>	<u>\$ (511)</u>	<u>\$ 7,926</u>		

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

## Condensed Statement of Activities

	Year Ended December 31		Change
	2005	2004	
Operating revenues	\$28,768,824	\$ 29,877,445	\$(1,108,621)
Operating expenses	<u>38,460,920</u>	<u>41,439,214</u>	<u>(2,978,294)</u>
Operating loss	(9,692,096)	(11,561,769)	1,869,673
Nonoperating revenues—net	<u>17,107,119</u>	<u>11,050,705</u>	<u>6,056,413</u>
Change in net assets	7,415,023	(511,064)	7,926,087
Beginning net assets	<u>90,823,931</u>	<u>91,334,995</u>	<u>(511,064)</u>
Ending net assets	<u>\$98,238,954</u>	<u>\$ 90,823,931</u>	<u>\$ 7,415,023</u>

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

#### *Operating Revenues and Expenses—*

Pre-Hurricane Katrina, Audubon was enjoying a very successful year, with above-budget visitation and revenues and with capital projects progressing smoothly.

- Operating revenues decreased in 2005 due to the temporary closure of all facilities after the storm. Revenues were partially supplemented with Business Interruption insurance receipts in the amount of \$2,000,000 for the Aquarium and Entergy IMAX Theatre, and \$500,000 for the Zoo in 2005. The amounts are based on preliminary estimates; additional funding is forthcoming based on actual losses.
- Insurance claim advances received of \$1,000,000 for property damage at the Zoo and \$1,000,000 at the Aquarium are included in operating revenues in 2005.
- The decrease in operating expenses is attributed to the temporary closure of all facilities after the storm.

#### *Non-Operating Revenues—*

- Dedicated tax revenues decreased by \$306,185 from 2004.
- Private and government grants and donations for capital projects, education programs and operating support increased from prior year by \$6,447,027.

## Audubon Commission—Net Capital Assets

	Beginning Balance 2005	Additions	Depreciation/ Retirements 2005	Ending Balance 2005
Aquarium and Riverfront Park	\$ 59,816,403	\$ 2,722,818	\$ (3,231,022)	\$ 59,308,199
Audubon Insectarium	12,667,110	3,970,194	(28,263)	16,609,041
Audubon Zoo & Park	43,811,654	1,818,094	(2,624,848)	43,004,900
Audubon Golf Course	10,447,716	93,348	(387,800)	10,153,264
Survival Center/ Research Center	14,069,993	1,616,445	(783,674)	14,902,764
Louisiana Nature Center	485,234	19,985	(505,218)	
Total	<u>\$ 141,298,110</u>	<u>\$ 10,240,884</u>	<u>\$ (7,560,825)</u>	<u>\$143,978,168</u>

- **Audubon Insectarium**—Custom House improvements by the General Services Administration's contractor, Roy Anderson, continued through 2005. Exhibitory in two galleries was installed—Louisiana Swamp and Life Underground—and finish work began in The Cooking Show and in the Café. A mural was painted in Butterflies in Flight, and that gallery's exhibitory was delivered for installation during the summer. Bid packages were released for remaining galleries, and the City of New Orleans started work on the Canal Street sidewalk. Because of storm-related delays, we expect to open the project in mid-2007.
- **Audubon Zoo**—Renovation of the old McDonald's began. The new "cafe" style food service will be managed by Audubon Nature Institute and will feature additional climate-controlled seating and patio space.
- **Freeport-McMoRan Audubon Species Survival Center**—A new staff building, with offices and support space, opened in spring. Construction began on the Whooping Crane Breeding Facility, with input from the U.S. Fish and Wildlife Service and the International Crane Foundation.
- **Audubon Aquarium of the Americas**—Construction began on a husbandry warehouse located in the Freeport-McMoRan Audubon Species Survival Center that will support breeding of aquatic animals and the Aquarium's initiatives as coordinator of the Louisiana Marine Mammal and Sea Turtle Stranding Network.

## Audubon Commission-Statement of Net Assets

	2005	2004	Change
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,119,729	\$ 1,970,275	\$ 1,149,454
Accounts receivable	765,561	328,898	436,663
Inventory	769,962	759,778	10,184
Prepaid items	915,916	1,073,944	(158,028)
Restricted assets	1,203,473	1,340,090	(136,617)
Nondepreciable capital assets	800,000	800,000	
Depreciable capital assets—net	143,178,168	140,498,110	2,860,058
Other assets	<u>11,018,172</u>	<u>11,322,273</u>	<u>(304,101)</u>
<b>Total assets</b>	<b><u>\$ 161,770,981</u></b>	<b><u>\$ 158,093,368</u></b>	<b><u>\$ 3,677,613</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 5,770,613	\$ 4,071,240	\$ 1,699,373
Payable to Audubon Nature Institute	8,133,020	10,450,556	(2,317,536)
Payables from restricted assets	3,235,417	3,228,622	6,795
Long-term liabilities	<u>46,392,977</u>	<u>49,519,019</u>	<u>(3,126,042)</u>
<b>Total liabilities</b>	<b><u>\$ 63,532,027</u></b>	<b><u>\$ 67,269,437</u></b>	<b><u>\$ (3,737,410)</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets	\$ 96,199,842	\$ 90,609,440	\$ 5,590,402
Unrestricted	<u>2,039,112</u>	<u>214,491</u>	<u>1,824,621</u>
<b>Total net assets</b>	<b><u>\$ 98,238,954</u></b>	<b><u>\$ 90,823,931</u></b>	<b><u>\$ 7,415,023</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 161,770,981</u></b>	<b><u>\$ 158,093,368</u></b>	<b><u>\$ 3,677,613</u></b>

### Comments on the Statement of Net Assets

- Net Depreciable Capital Assets increase of \$2,680,058 is due to an increase in capital asset additions of \$10,240,884, offset by depreciation and impairments of \$7,560,825.
- The decrease in Long Term Liabilities is mostly attributable to the bondholder's payment of Limited Tax Bonds and Revenue Bonds of \$2,195,000 and \$ 1,135,000, respectively.

### 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.



**AUDUBON COMMISSION****(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)****STATEMENTS OF NET ASSETS****AS OF DECEMBER 31, 2005 AND 2004**

	2005	2004
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other accrued liabilities	\$ 5,770,613	\$ 4,071,240
Due to Audubon Nature Institute	<u>8,133,020</u>	<u>10,450,556</u>
Total nonrestricted current liabilities	<u>13,903,633</u>	<u>14,521,796</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest	115,119	128,455
Revenue bonds-current portion	1,065,874	985,874
Limited tax bonds-current portion	1,974,424	1,899,424
Construction payables	<u>80,000</u>	<u>214,869</u>
Total payable from restricted assets	<u>3,235,417</u>	<u>3,228,622</u>
Total current liabilities	<u>17,139,050</u>	<u>17,750,418</u>
<b>LONG-TERM LIABILITIES:</b>		
Revenue bonds	7,365,242	8,431,116
Limited tax bonds	36,838,662	38,813,086
Unamortized premium—net	1,068,237	1,178,981
Other	<u>1,120,836</u>	<u>1,095,836</u>
Total long-term liabilities	<u>46,392,977</u>	<u>49,519,019</u>
Total liabilities	63,532,027	67,269,437
<b>NET ASSETS:</b>		
Invested in capital assets—net of related debt	96,199,842	90,609,440
Unrestricted	<u>2,039,112</u>	<u>214,491</u>
Total net assets	<u>98,238,954</u>	<u>90,823,931</u>
<b>TOTAL</b>	<u>\$ 161,770,981</u>	<u>\$ 158,093,368</u>

See notes to financial statements.

(Concluded)

**AUDUBON COMMISSION****(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)****STATEMENTS OF ACTIVITIES****FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
OPERATING REVENUES:		
Charges for services	\$ 23,759,053	\$ 29,239,620
Miscellaneous	<u>5,009,771</u>	<u>637,825</u>
Total operating revenues	<u>28,768,824</u>	<u>29,877,445</u>
OPERATING EXPENSES:		
Salaries and benefits	17,162,092	18,531,764
Contractual services, materials, supplies, other	13,637,193	15,685,105
Loss on impairment of long lived assets	445,746	
Depreciation and amortization	<u>7,215,889</u>	<u>7,222,345</u>
Total operating expenses	<u>38,460,920</u>	<u>41,439,214</u>
OPERATING LOSS	<u>(9,692,096)</u>	<u>(11,561,769)</u>
NONOPERATING REVENUES (EXPENSES):		
Audubon Institute grants for capital projects, education programs and operating support	4,234,515	4,080,008
Dedicated tax revenues	8,355,580	8,661,765
Interest expense	(2,781,179)	(2,887,055)
Intergovernmental grants for capital projects	7,457,987	1,164,667
Grant expenses	(962,931)	(1,137,836)
Interest income	911,332	1,277,341
Amortization—debt costs	<u>(108,185)</u>	<u>(108,185)</u>
Total nonoperating revenues—net	<u>17,107,119</u>	<u>11,050,705</u>
CHANGE IN NET ASSETS	7,415,023	(511,064)
NET ASSETS—Beginning of year	<u>90,823,931</u>	<u>91,334,995</u>
NET ASSETS—End of year	<u>\$ 98,238,954</u>	<u>\$ 90,823,931</u>

See notes to financial statements.

# AUDUBON COMMISSION

(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 23,832,161	\$ 29,935,030
Cash received from insurance proceeds	4,500,000	
Cash paid to or on behalf of employees	(17,556,127)	(18,523,022)
Cash paid for supplies and services	<u>(13,713,477)</u>	<u>(13,750,437)</u>
Cash used in operating activities	<u>(2,937,443)</u>	<u>(2,338,429)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Grants from Audubon Institute for capital projects, education, and operating support	4,234,515	4,080,008
Payments for projects' design, construction, and equipment purchases	(10,476,563)	(6,399,994)
Decrease in restricted assets	136,617	125,913
Increase in restricted liabilities	345,622	359,263
Dedicated tax revenues	8,355,580	8,661,765
Interest paid	(2,781,179)	(2,899,265)
Payment of bond principal	(3,330,000)	(3,175,000)
Interest income	911,332	1,277,341
Intergovernmental and other grants	7,457,987	1,164,667
Grant expenses	(962,931)	(1,137,836)
Other	<u>195,917</u>	<u>77,948</u>
Cash provided by capital and related financing activities	<u>4,086,897</u>	<u>2,134,810</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,149,454</b>	<b>(203,619)</b>
<b>CASH AND TEMPORARY INVESTMENTS—Beginning of year</b>	<b><u>1,970,275</u></b>	<b><u>2,173,894</u></b>
<b>CASH AND TEMPORARY INVESTMENTS—End of year</b>	<b><u>\$ 3,119,729</u></b>	<b><u>\$ 1,970,275</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (9,692,096)	\$ (11,561,769)
Adjustments to reconcile operating loss to cash used in operations:		
Depreciation and amortization	7,215,889	7,222,345
Loss on impairment of long-lived assets	445,746	
Increase in accounts receivable and other current assets	(288,819)	(6,248)
(Decrease) increase in accounts payable and other current liabilities	<u>(618,163)</u>	<u>2,007,243</u>
Cash used in operating activities	<u>\$ (2,937,443)</u>	<u>\$ (2,338,429)</u>

See notes to financial statements.

# AUDUBON COMMISSION

(A Discretely Presented Component Unit of the City of New Orleans)

## NOTES TO BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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### 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 discretely presented 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 Audubon 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 Woldenberg 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 the Audubon Wilderness Park and the Freeport Mc-Mo-Ran Audubon 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 Audubon Louisiana Nature Center.

During 2002, construction began on the latest Audubon facility, the Audubon Insectarium. The Insectarium will be located in the Customs House building and is expected to open in 2007 due to construction delays related to Hurricane Katrina.

The Commission has a contractual management agreement 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***—Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

***Use of Estimates***—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 GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. GASB Statement 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."

**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 \$325,000 and \$603,000 at December 31, 2005 and 2004, respectively) and reported in accounts payable and other accrued liabilities in the balance sheet.

**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, 2005 and 2004, consisted of unrestricted cash and investments of \$3,119,729 and \$1,970,275, respectively.

**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.

## 2. IMPACT OF HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina reached landfall in the Gulf region of the United States, with significant damage to eastern Louisiana and Mississippi. On a local level, the storm caused significant wind and flood damage to the Greater New Orleans area with the eventual breach of several levees inundating the city with water for several weeks. As a result, all of the Commission's facilities closed through at least Thanksgiving with damage ranging from trees uprooted to total destruction of equipment and furniture in some facilities. The most severely impacted location was the Louisiana Nature Center, located in New Orleans East, with the entire facility flooded. The Commission recorded a loss on impairment at the Nature Center of approximately \$446,000 in 2005 and the Nature Center has not reopened. Management is in the process of developing plans to utilize the site in the future. As of December 31, 2005, all damage is considered repairable and will be treated as an expense rather than capitalized.

The Commission is insured for an event of this nature and has property damage insurance limits of approximately \$143,000,000 for all facilities. The Commission has received \$2,000,000 in property insurance advances through December 31, 2005. The Commission also has business interruption coverage of approximately \$18,200,000 for all facilities and has received \$2,500,000 in business interruption insurance advances through December 31, 2005. The Commission has not completed the

process of filing all claims and expects to receive additional insurance recovery amounts in 2006. The Commission currently is also working with the Federal Emergency Management Administration (FEMA) to explore Federal assistance programs.

### 3. CASH AND TEMPORARY INVESTMENTS

*Cash on Deposit*—The Commission's deposits at financial institutions at December 31, 2005 and 2004, were \$3,068,033 and \$1,845,825, respectively (excluding \$51,696 and \$124,450, respectively, of cash on hand at December 1, 2005 and 2004). The bank balances with respect to these deposits were \$4,016,505 and \$3,346,681 at December 31, 2005 and 2004, respectively.

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of December 31, 2005 and 2004, \$533,325 and \$1,011,333 of the Commission's bank balances of \$4,016,505 and \$3,346,681, respectively, were exposed to custodial credit risk in that those amounts were uninsured and collateral was held by the pledging financial institution not in the Commission's name.

*Investments*—The carrying and market values of the Commission's investments as of December 31, 2005 and 2004, were approximately \$1,203,473 and \$1,149,188, respectively. At December 31, 2005 amounts were comprised of cash balances of \$206,927, certificates of deposit of \$307,088 that mature in 2006, and a U.S. treasury bill of \$689,458 that matures in 2006. At December 31, 2004 amounts were comprised of cash balances of \$38, certificates of deposit of \$307,088 that matured in 2005 and treasury bills of \$842,062 that matured in 2005.

Interest rate risk - The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Commission would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2005 and 2004 the Commission is not exposed to significant custodial credit risk with respect to its investments because all investments are either insured by Federal Depository Insurance, registered in the name of the Commission or collateralized by other investments pledged in the name of the Commission.

### 4. 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 7%, 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. Harrah's Jazz Casino Company assumed payment of this receivable from the City upon its operation of the Rivergate Facility. As payments are received from Harrah's Jazz Casino Company, 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 6). These costs are being amortized over the life of the bonds.

## 5. CAPITAL ASSETS

A summary of changes in capital assets during 2005 and 2004, is as follows:

	2005				Ending Balance 2005
	Beginning Balance 2005	Additions	Transfers	Retirements	
Capital assets not being depreciated:					
Land	\$ 800,000	\$ -	\$ -	\$ -	\$ 800,000
Construction in progress	16,535,581	9,408,478	(3,459,888)		22,484,171
Total capital assets not being depreciated	17,335,581	9,408,478	(3,459,888)	-	23,284,171
Capital assets being depreciated:					
Buildings and fixed exhibitory	170,638,954		3,456,518	(3,354,402)	170,741,070
Equipment	20,007,932	832,406		(976,902)	19,863,436
	190,646,886	832,406	3,456,518	(4,331,304)	190,604,506
Less accumulated depreciation	(66,684,357)	(7,111,710)		3,885,558	(69,910,509)
Total capital assets—net	\$ 141,298,110	\$ 3,129,174	\$ (3,370)	\$ (445,746)	\$ 143,978,168

	2004			
	Beginning Balance 2004	Additions	Retirements/ Transfers	Ending Balance 2004
Capital assets not being depreciated:				
Land	\$ 800,000	\$ -	\$ -	\$ 800,000
Construction in progress	<u>13,015,293</u>	<u>3,520,288</u>	<u>                    </u>	<u>16,535,581</u>
Total capital assets not being depreciated	13,815,293	3,520,288	-	17,335,581
Capital assets being depreciated:				
Buildings and fixed exhibitry	168,774,234	1,864,720	<u>                    </u>	170,638,954
Equipment	<u>19,028,191</u>	<u>979,741</u>	<u>                    </u>	<u>20,007,932</u>
	187,802,425	2,844,461	-	170,638,954
Less accumulated depreciation	<u>(59,579,697)</u>	<u>(7,104,660)</u>	<u>                    </u>	<u>(66,684,357)</u>
Total capital assets—net	<u>\$ 142,038,021</u>	<u>\$ (739,911)</u>	<u>\$ -</u>	<u>\$ 141,298,110</u>

Depreciation and amortization expense for the years ended December 31, 2005 and 2004, related to these assets amounted to approximately \$7,112,000 and \$7,105,000, respectively.

## 6. BONDS AND LOAN PAYABLE

Bonds payable at December 31, 2005 and 2004, are comprised of the following:

	2005	2004
Limited Tax Bonds:		
3.00% to 5.00% Audubon Commission Aquarium Bonds, Series 2003 A due in annual installments of \$1,875,000 to \$2,695,000 through October 2013	\$ 18,480,000	\$ 20,410,000
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	13,450,000	13,465,000
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	6,463,572	6,518,572
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	3,080,000	3,275,000
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	<u>9,475,000</u>	<u>10,610,000</u>
Total bonds payable	50,948,572	54,278,572
Deferred losses on refinancings—net of amortization	(3,704,369)	(4,149,072)
Unamortized premium (net)	<u>1,068,236</u>	<u>1,178,981</u>
Total	48,312,439	51,308,481
Less current maturities and current portion of deferred losses	<u>(3,040,298)</u>	<u>(2,885,298)</u>
Bonds payable—long-term	<u>\$ 45,272,141</u>	<u>\$ 48,423,183</u>

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, 2005.

A summary of changes in long-term debt during 2005 and 2004, is as follows:

		<b>2005</b>				
		<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Limited tax bonds		\$ 43,668,572	\$	\$(2,195,000)	\$ 41,473,572	\$ 1,974,424
Revenue bonds		<u>10,610,000</u>	<u>                    </u>	<u>(1,135,000)</u>	<u>9,475,000</u>	<u>1,065,874</u>
		<u>\$ 54,278,572</u>	<u>\$</u>	<u>\$(3,330,000)</u>	<u>\$ 50,948,572</u>	<u>\$ 3,040,298</u>
		<b>2004</b>				
		<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Limited tax bonds		\$ 45,793,572	\$ -	\$(2,125,000)	\$ 43,668,572	\$ 1,899,424
Revenue bonds		<u>11,660,000</u>	<u>                    </u>	<u>(1,050,000)</u>	<u>10,610,000</u>	<u>985,874</u>
		<u>\$ 57,453,572</u>	<u>\$ -</u>	<u>\$(3,175,000)</u>	<u>\$ 54,278,572</u>	<u>\$ 2,885,298</u>

Debt service requirements on all bonds outstanding as of December 31, 2005, including interest payments of approximately \$24,308,577, are as follows:

<b>Years Ending December 31</b>	<b>Limited Tax Bonds</b>	<b>Revenue Bonds</b>	<b>Total</b>	<b>Interest Included in Total</b>
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
2009	4,002,309	1,580,588	5,582,897	1,687,896
2010	4,002,094	1,584,000	5,586,094	1,516,094
Thereafter	<u>44,078,440</u>	<u>3,130,500</u>	<u>47,208,940</u>	<u>15,085,370</u>
	<u>\$ 64,080,142</u>	<u>\$ 11,177,007</u>	<u>\$ 75,257,149</u>	<u>\$ 24,308,577</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 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 \$1,120,836 and \$1,095,836 at December 31, 2005 and 2004, respectively, which includes accrued interest. No repayment liability has been recorded under the 1979 loan agreement due to the contingent nature of the agreement.

## 7. 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 \$14,000, and the Commission, through its management agreement with the Institute, matches employee contributions up to 3% of base salary. The retirement expense provision for 2005 and 2004, amounted to approximately \$544,000 and \$548,000, respectively.

## **8. 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, 2005 and 2004, the Commission had a payable balance due to the Institute of \$8,133,020 and \$10,450,556, respectively.

The Commission also received additional financial support from the Institute in the form of specific gifts and grants of \$4,234,515 and \$4,080,008, respectively, and distributions from the Institute's Endowment Fund amounting to \$754,041 and \$1,115,392, respectively (included in interest income) during 2005 and 2004.

## **9. 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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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Audubon Commission:

We have audited the basic financial statements of the Audubon Commission (the Commission), a component unit of the City of New Orleans, Louisiana as of and for the year ended December 31, 2005, and have issued our report thereon dated June 8, 2006. 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.

### **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 basic 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 reportable 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

This report is intended for the information and use of the board of directors, management and the City of New Orleans, Louisiana 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*

June 8, 2006

**ADDITIONAL INFORMATION**

**AUDUBON COMMISSION**  
(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)

**COMBINING SCHEDULE—STATEMENT OF NET ASSETS INFORMATION**  
**AS OF DECEMBER 31, 2006**

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Total
<b>CURRENT ASSETS:</b>							
Cash and temporary investments	\$ 3,033,986	\$ -	\$ 85,493	\$ -	\$ 250	\$ -	\$ 3,119,729
Accounts receivable, net of allowance for uncollectible accounts of \$105,763	149,278		614,172	2,323	(1,072)	860	765,561
Inventory	293,693		337,514	138,755			769,962
Prepaid expenses	673,867		157,378	492	83,461	718	915,916
Total current assets	<u>4,150,824</u>	<u>-</u>	<u>1,194,557</u>	<u>141,570</u>	<u>82,639</u>	<u>1,578</u>	<u>5,571,168</u>
<b>RESTRICTED ASSETS:</b>							
Debt service and bond reserve	896,385		307,088				1,203,473
Accounts receivable for capital improvements							
Total restricted assets	<u>896,385</u>	<u>-</u>	<u>307,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,203,473</u>
<b>CAPITAL ASSETS:</b>							
Land			800,000				800,000
Buildings and fixed exhibitry	87,092,527		55,007,741	10,516,750	18,124,052		170,741,070
Equipment	8,815,692		7,340,996	700,685	2,726,221		19,863,436
Construction in progress	3,360,922		1,166,050		1,546,007		22,484,171
Less accumulated depreciation	<u>(39,960,942)</u>		<u>(21,309,887)</u>	<u>(1,064,171)</u>	<u>(7,493,516)</u>		<u>(69,910,509)</u>
Net capital assets	<u>59,308,199</u>	<u>16,609,041</u>	<u>43,004,900</u>	<u>10,153,264</u>	<u>14,902,764</u>	<u>-</u>	<u>143,978,168</u>
<b>OTHER ASSETS:</b>							
Prepaid rent—Dock Board	9,378,929						9,378,929
Investment—Riverfront Economic Development Agreement	992,646						992,646
Bond issue costs	<u>628,957</u>		<u>17,640</u>				<u>646,597</u>
Total other assets	<u>11,000,532</u>	<u>-</u>	<u>17,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,018,172</u>
<b>TOTAL</b>	<u>\$75,355,940</u>	<u>\$16,609,041</u>	<u>\$44,524,185</u>	<u>\$10,294,834</u>	<u>\$14,985,403</u>	<u>\$ 1,578</u>	<u>\$161,770,981</u>

(Continued)

**AUDUBON COMMISSION**  
**(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)**

**COMBINING SCHEDULE--STATEMENT OF NET ASSETS INFORMATION**  
**AS OF DECEMBER 31, 2005**

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Total
<b>CURRENT LIABILITIES:</b>							
Accounts payable and other accrued liabilities	\$ 3,223,043	\$ 174,479	\$ 1,955,958	\$ 277,607	\$ 111,539	\$ 27,987	\$ 5,770,613
Due to Audubon Nature Institute	<u>8,133,020</u>						<u>8,133,020</u>
Total nonrestricted current liabilities	<u>11,356,063</u>	<u>174,479</u>	<u>1,955,958</u>	<u>277,607</u>	<u>111,539</u>	<u>27,987</u>	<u>13,903,633</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>							
Accrued interest	115,119						115,119
Revenue bonds-current portion	1,065,874						1,065,874
Limited tax bonds-current portion	1,764,424		210,000				1,974,424
Construction payables	<u>387</u>		<u>67,006</u>		<u>12,607</u>		<u>80,000</u>
Total payable from restricted assets	<u>2,945,804</u>		<u>277,006</u>		<u>12,607</u>		<u>3,235,417</u>
Total current liabilities	<u>14,301,867</u>	<u>174,479</u>	<u>2,232,964</u>	<u>277,607</u>	<u>124,146</u>	<u>27,987</u>	<u>17,139,050</u>
<b>LONG-TERM LIABILITIES:</b>							
Revenue bonds	7,365,242						7,365,242
Limited tax bonds	33,968,662		2,870,000				36,838,662
Unamortized premium-net	1,068,237						1,068,237
Other			<u>1,120,836</u>				<u>1,120,836</u>
Total long-term liabilities	<u>42,402,141</u>		<u>3,990,836</u>				<u>46,392,977</u>
Total liabilities	<u>56,704,008</u>	<u>174,479</u>	<u>6,223,800</u>	<u>277,607</u>	<u>124,146</u>	<u>27,987</u>	<u>63,532,027</u>
<b>NET ASSETS:</b>							
Invested in capital assets--net of related debt	15,485,594	16,609,041	39,061,785	10,153,264	14,890,158		96,199,842
Unrestricted	<u>3,166,338</u>	<u>(174,479)</u>	<u>(761,400)</u>	<u>(136,037)</u>	<u>(28,901)</u>	<u>(26,409)</u>	<u>2,039,112</u>
Total net assets	<u>18,651,932</u>	<u>16,434,562</u>	<u>38,300,385</u>	<u>10,017,227</u>	<u>14,861,257</u>	<u>(26,409)</u>	<u>98,238,954</u>
<b>TOTAL</b>	<u>\$75,355,940</u>	<u>\$16,609,041</u>	<u>\$44,524,185</u>	<u>\$10,294,834</u>	<u>\$14,985,403</u>	<u>\$ 1,578</u>	<u>\$161,770,981</u>

(Concluded)

**AUDUBON COMMISSION**  
(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)

**COMBINING SCHEDULE—STATEMENT OF ACTIVITIES INFORMATION**  
**AS OF DECEMBER 31, 2005**

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Total
<b>OPERATING REVENUES:</b>							
Charges for services	\$ 12,860,238	\$	\$ 8,961,251	\$ 1,658,030	\$ 670	\$ 278,864	\$ 23,759,053
Miscellaneous	3,283,135		1,716,121		10,005	510	5,009,771
Total operating revenues	<u>16,143,373</u>		<u>10,677,372</u>	<u>1,658,030</u>	<u>10,675</u>	<u>279,374</u>	<u>28,768,824</u>
<b>OPERATING EXPENSES:</b>							
Salaries and benefits	6,613,480	199,341	8,359,850	982,260	660,525	346,636	17,162,092
Contractual services, materials, supplies, other	6,265,673	(188,408)	6,089,891	786,767	488,630	194,640	13,637,193
Loss on impairment						445,746	445,746
Depreciation and amortization	3,346,223	28,263	2,601,765	389,067	788,628	61,943	7,215,889
Total operating expenses	<u>16,225,376</u>	<u>39,196</u>	<u>17,051,506</u>	<u>2,158,094</u>	<u>1,937,783</u>	<u>1,048,965</u>	<u>38,460,920</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(82,003)</u>	<u>(39,196)</u>	<u>(6,374,134)</u>	<u>(500,064)</u>	<u>(1,927,108)</u>	<u>(769,591)</u>	<u>(9,692,096)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Audubon Institute grants for capital projects, education programs and operating support	322,646	1,668,945	772,290	21,992	1,415,539	33,103	4,234,515
Dedicated tax revenues	7,209,014	342,573	803,993				8,355,580
Interest expense	(2,402,324)		(378,855)				(2,781,179)
Intergovernmental grants for capital projects	2,900,000	2,678,328	491,120	76,427	1,312,112	(9,106)	7,457,987
Grant expenses	(52,646)	(808)	(339,921)	(21,992)	(538,458)	29,178	(962,931)
Interest income	494,674		107,116		280,364		911,332
Amortization—debt costs	(102,138)		(6,047)				(108,185)
Total nonoperating revenues—net	<u>8,369,226</u>	<u>4,689,038</u>	<u>1,449,696</u>	<u>76,427</u>	<u>2,469,557</u>	<u>53,175</u>	<u>17,107,119</u>
<b>CHANGE IN NET ASSETS</b>	<u>8,287,223</u>	<u>4,649,842</u>	<u>(4,924,438)</u>	<u>(423,637)</u>	<u>542,449</u>	<u>(716,416)</u>	<u>7,415,023</u>
<b>TRANSFERS IN (OUT):</b>							
Transfers in	(3,691,961)	(732,134)	3,724,001	116,549	376,605	206,940	4,424,095
Transfers out	(3,691,961)	(732,134)	3,724,001	116,549	376,605	206,940	(4,424,095)
Total transfers							
<b>CHANGE IN NET ASSETS</b>	<u>4,595,262</u>	<u>3,917,708</u>	<u>(1,200,437)</u>	<u>(307,088)</u>	<u>919,054</u>	<u>(509,476)</u>	<u>7,415,023</u>
<b>NET ASSETS—Beginning of year</b>	<u>14,056,670</u>	<u>12,516,854</u>	<u>39,500,822</u>	<u>10,324,315</u>	<u>13,942,203</u>	<u>483,067</u>	<u>90,823,931</u>
<b>NET ASSETS—End of year</b>	<u>\$18,651,932</u>	<u>\$16,434,562</u>	<u>\$38,300,385</u>	<u>\$10,017,227</u>	<u>\$14,861,257</u>	<u>\$ (26,409)</u>	<u>\$98,238,954</u>

**AUDUBON COMMISSION**  
(A Discretely Presented Component Unit of the City of New Orleans, Louisiana)

**COMBINING SCHEDULE—STATEMENT OF CASH FLOWS INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Aquarium and Riverfront Park	Audubon Insectarium	Audubon Zoo and Park	Audubon Golf Course	Survival Center/ Research Center/	Louisiana Nature Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from customers	\$ 13,044,699	\$	\$ 8,837,785	\$ 1,656,476	\$ 14,667	\$ 278,534	\$ 23,832,161
Cash received from insurance proceeds	3,000,000		1,500,000				4,500,000
Cash paid to or on behalf of employees	(6,735,356)	(201,738)	(8,581,813)	(1,011,842)	(666,027)	(359,351)	(17,556,127)
Cash paid for supplies and services	(7,438,111)	409,544	(5,137,197)	(735,947)	(653,486)	(158,280)	(13,713,477)
Cash provided by (used in) operating activities	<u>1,871,232</u>	<u>207,806</u>	<u>(3,381,225)</u>	<u>(91,313)</u>	<u>(1,304,846)</u>	<u>(239,097)</u>	<u>(2,937,443)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Grants from Audubon Institute for capital projects, education and operating support	322,646	1,668,945	772,290	21,992	1,415,539	33,103	4,234,515
Payments for projects' design, construction and equipment purchases	(2,838,936)	(4,164,710)	(1,732,652)	(108,463)	(1,609,334)	(22,468)	(10,476,563)
(Increase) decrease in restricted assets	(54,285)		117,934	4,950	68,018		136,617
Increase (decrease) in restricted liabilities	320,622		25,000				345,622
Dedicated tax revenues	7,209,014	342,573	803,993				8,355,580
Interest paid	(2,402,324)		(378,855)				(2,781,179)
Payment of bond principal	(3,135,000)		(195,000)				(3,330,000)
Interest income	494,674		107,116		280,364	29,178	911,332
Intergovernmental and other grants	2,900,000	2,678,328	491,120	76,427	1,312,112		7,457,987
Grant expenses	(52,646)	(808)	(339,921)	(21,992)	(538,458)	(9,106)	(962,931)
Other	196,214		(297)				195,917
Transfers (to) or from other facilities	<u>(3,691,961)</u>	<u>(732,134)</u>	<u>3,724,001</u>	<u>116,549</u>	<u>376,605</u>	<u>206,940</u>	
Cash (used in) provided by capital and related financing activities	<u>(731,982)</u>	<u>(207,806)</u>	<u>3,394,729</u>	<u>89,463</u>	<u>1,304,846</u>	<u>237,647</u>	<u>4,086,897</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,139,250</b>		<b>13,504</b>	<b>(1,850)</b>		<b>(1,450)</b>	<b>1,149,454</b>
<b>CASH AND TEMPORARY INVESTMENTS—Beginning of year</b>	<b>1,894,736</b>		<b>71,989</b>	<b>1,850</b>	<b>250</b>	<b>1,450</b>	<b>1,970,275</b>
<b>CASH AND TEMPORARY INVESTMENTS—End of year</b>	<b>\$ 3,033,986</b>	<b>\$</b>	<b>\$ 85,493</b>	<b>\$</b>	<b>\$ 250</b>	<b>\$</b>	<b>\$ 3,119,729</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>							
Operating loss	\$ (82,003)	\$ (39,196)	\$ (6,374,134)	\$ (500,064)	\$ (1,927,108)	\$ (769,591)	\$ (9,692,096)
Adjustments to reconcile operating loss to cash provided by (used in) operations:							
Depreciation and amortization	3,346,223	28,263	2,601,765	389,067	788,628	61,943	7,215,889
Loss on impairment of long-lived assets	(304,278)	54,994	(57,446)	(6,805)	7,720	445,746	445,746
(Increase) decrease in accounts receivable and other current assets	(1,088,710)	163,745	448,590	26,489	(174,086)	16,996	(288,819)
Increase (decrease) in accounts payable and other current liabilities						5,809	(618,163)
Cash provided by (used in) operating activities	<u>\$ 1,871,232</u>	<u>\$ 207,806</u>	<u>\$ (3,381,225)</u>	<u>\$ (91,313)</u>	<u>\$ (1,304,846)</u>	<u>\$ (239,097)</u>	<u>\$ (2,937,443)</u>