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**UPPER PONTALBA BUILDING RESTORATION CORPORATION
A PROPRIETARY COMPONENT UNIT OF THE
CITY OF NEW ORLEANS**

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 JUN 28 2000

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Upper Pontalba Building Restoration Corporation
New Orleans, Louisiana

We have audited the accompanying financial statements of the **Upper Pontalba Building Restoration Corporation (Upper Pontalba)**, a proprietary component unit of the City of New Orleans, as of December 31, 1999 and 1998, and for the years then ended, listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the **Upper Pontalba**. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in NOTE 1, the financial statements present only the activities of the **Upper Pontalba** and are not intended to present fairly the financial position of the City of New Orleans, the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the years then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Upper Pontalba Building Restoration Corporation
Page 2

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Upper Pontalba Building Restoration Corporation, a proprietary component unit of the City of New Orleans**, as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 27, 2000 on our consideration of the **Upper Pontalba's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2000

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

UPPER PONTALBA BUILDING RESTORATION CORPORATION
BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

	<u>ASSETS</u>	
	<u>1999</u>	<u>1998</u>
Current assets:		
Cash and cash equivalents (NOTE 2)	\$ 1,112,594	\$ 1,008,104
Accounts receivable	35,355	23,810
Prepaid assets	<u>12,531</u>	<u>13,297</u>
Total current assets	<u>1,160,480</u>	<u>1,045,211</u>
Restricted assets (NOTES 2 and 4)	<u>1,365,256</u>	<u>1,182,187</u>
Total restricted assets	<u>1,365,256</u>	<u>1,182,187</u>
Property and equipment:		
Land	52,000	52,000
Building and improvements	9,289,240	9,197,692
Furniture, fixtures and equipment	106,633	98,997
Less: accumulated depreciation	<u>(1,543,788)</u>	<u>(1,281,992)</u>
Net property, and equipment	<u>7,904,085</u>	<u>8,066,697</u>
Other assets:		
Advances to the capital improvement fund	20,625	20,625
Deferred costs (NOTE 1)	<u>133,506</u>	<u>200,258</u>
Total other assets	<u>154,131</u>	<u>220,883</u>
Total assets	<u>\$10,583,952</u>	<u>\$10,514,978</u>

The accompanying notes are an integral part of these financial statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
BALANCE SHEETS, CONTINUED
DECEMBER 31, 1999 AND 1998

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
Current liabilities:		
Bonds payable - current portion (NOTE 5)	\$ 165,000	\$ 155,000
Interest payable	19,167	16,633
Due to City of New Orleans (NOTE 1)	382,172	282,172
Due to other component units (NOTE 6)	33,064	34,008
Accounts payable	116,384	28,749
Tenant rental security deposits	91,844	87,114
Retainage payable	<u>-0-</u>	<u>57,395</u>
Total current liabilities	807,631	661,071
 Long-term liabilities:		
Bonds payable less current portion and unamortized loss on advance refunding (NOTE 5)	<u>4,880,000</u>	<u>4,973,955</u>
Total liabilities	<u>5,687,631</u>	<u>5,635,026</u>
 CONTINGENCIES (NOTE 10)		
 Fund equity:		
Capital stock; no par value, one share authorized, issued and outstanding	-0-	-0-
Retained earnings, unreserved	<u>4,896,321</u>	<u>4,879,952</u>
Total fund equity	<u>4,896,321</u>	<u>4,879,952</u>
Total liabilities and fund equity	<u>\$10,583,952</u>	<u>\$10,514,978</u>

The accompanying notes are an integral part of these financial statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Rental income, net of vacancy of \$26,676 and \$53,302; respectively	\$1,086,025	\$1,046,132
Other income	<u>4,456</u>	<u>10,817</u>
Total operating revenues	<u>1,090,481</u>	<u>1,056,949</u>
Operating expenses:		
Letter of credit fee	96,074	96,074
Salaries and fringe benefits	82,749	77,508
Repairs and maintenance	104,431	66,106
Utilities	30,299	33,732
Insurance	21,525	21,597
Supplies	8,579	5,555
Professional fees	49,379	63,189
Management fees	50,000	50,000
Amortization of deferred costs	137,797	102,564
Telephone	2,832	2,631
Bad debt expense	3,746	1,957
Depreciation	261,796	244,014
Claims/settlements	-0-	20,000
Other	<u>13,028</u>	<u>19,778</u>
Total operating expenses	<u>862,235</u>	<u>804,705</u>
Operating income	<u>228,246</u>	<u>252,244</u>
Nonoperating revenues(expenses):		
Interest income	62,169	62,595
Interest expense	<u>(174,046)</u>	<u>(187,204)</u>
Total nonoperating expense	<u>(111,877)</u>	<u>(124,609)</u>
Income (loss) before operating transfers	116,369	127,635
Operating transfers out	<u>(100,000)</u>	<u>(193,750)</u>
Net income (loss)	16,369	(66,115)
Retained earnings - beginning of year	<u>4,879,952</u>	<u>4,946,067</u>
Retained earnings - end of year	<u>\$4,896,321</u>	<u>\$4,879,952</u>

The accompanying notes are an integral part of these financial statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Cash flows from Operating Activities:		
Operating income	\$ 228,246	\$ 252,244
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of deferred cost	137,797	102,564
Depreciation	261,796	244,014
Changes in assets and liabilities:		
Increase in accounts receivable	(11,545)	(33)
Increase in due to City of New Orleans	100,000	200,000
Decrease in due to other component units	(944)	(3,255)
(Decrease) increase in accounts payable and retainage payable	30,240	81,880
Increase in tenant rental security deposit	4,730	620
(Increase) decrease in prepaid assets	766	(191)
Increase in restricted assets	<u>(183,069)</u>	<u>(123,074)</u>
Net cash provided by operating activities	<u>568,017</u>	<u>754,769</u>
Cash flows from Noncapital Financial Activities:		
Operating transfers out	<u>(100,000)</u>	<u>(193,750)</u>
Net cash used in noncapital financing activities	<u>(100,000)</u>	<u>(193,750)</u>
Cash flows from Capital and Related Financing Activities:		
Interest paid on bonds and note	(171,512)	(182,654)
Principal payments on bonds	(155,000)	(145,000)
Purchase of property and equipment	<u>(99,184)</u>	<u>(215,022)</u>
Net cash used in capital and related financing activities	<u>(425,696)</u>	<u>(542,676)</u>
Cash flows from Investing Activities:		
Interest on investments	<u>62,169</u>	<u>62,595</u>
Net cash provided by investing activities	<u>62,169</u>	<u>62,595</u>
Net increase in cash and cash equivalents	104,490	80,938
Cash and cash equivalents at beginning of year	<u>1,008,104</u>	<u>927,166</u>
Cash and cash equivalents at end of year	<u>\$1,112,594</u>	<u>\$1,008,104</u>

The accompanying notes are an integral part of these financial statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Organization:

The **Upper Pontalba Building Restoration Corporation (Upper Pontalba)** was organized on July 14, 1988, by the City of New Orleans for the purpose of renovating and operating the Upper Pontalba Building. The Upper Pontalba Building is a four-story residential and commercial (64 units) space facility located in the French Quarter. Primarily, all of the **Upper Pontalba's** tenants are from the greater New Orleans metropolitan area. The **Upper Pontalba** experiences an occupancy rate of at least 90% or better. The **Upper Pontalba** is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of New Orleans. Prior to the organization of the **Upper Pontalba**, the operations of the Upper Pontalba Building were managed by the Upper Pontalba Building Commission.

During April 1995, the **Upper Pontalba** completed its four (4) phase \$8.1 million renovation project to refurbish the residential apartments of the Upper Pontalba Building. This was the first major renovation of the Upper Pontalba Building since the 1930s.

Basis of Accounting

The **Upper Pontalba** is a non-profit corporation that is a proprietary component unit of the City of New Orleans. As such, the operations of the **Upper Pontalba** are accounted for utilizing the enterprise fund accounting method as described by Governmental Accounting, Auditing and Financial Reporting principles (GAAFR). Additionally, the **Upper Pontalba** utilizes the accrual basis of accounting for financial purposes.

The financial statements of the **Upper Pontalba** are not intended to and do not present the financial position, results of operations and cash flows of the City of New Orleans.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Reporting Entity

As the governing authority of the Parish, for reporting purposes, the City of New Orleans is the financial reporting entity. The financial reporting entity consists of (a) the primary government (the City of New Orleans), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability to impose your will on that organization and/or;
 - b. the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization was not included.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Reporting Entity, Continued

Since the **Upper Pontalba** meets several of the above-mentioned criteria, it is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the **Upper Pontalba** and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 those estimates.

Statements of Cash Flows

For purposes of the statements of cash flows cash includes interest-bearing demand deposit accounts.

Restricted Assets

The **Upper Pontalba**, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents, and investments) that can be used only to service outstanding debt.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Property, and Equipment

Property, and equipment are recorded at cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In situations involving the construction of certain assets financed with the proceeds from borrowings the interest is capitalized. In 1999 and 1998, no such interest was capitalized.

Depreciation of building, building improvements, furniture, fixtures, and equipment is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life (years)</u>
Building	Straight-line	40
Building improvements	Straight-line	25
Furniture, fixtures, and equipment	Straight-line	3 to 5

Advances to Capital Improvement

During previous years, the **Upper Pontalba** transferred funds to the capital projects fund of the City of New Orleans for payment of construction costs related to the building renovation. As of December 31, 1999 and 1998, \$20,625 was encumbered in the capital projects fund at the City of New Orleans.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Deferred Costs

Deferred costs represent capitalized appraisal, legal, architectural review and bank services associated with the acquisition of financing for the renovation project. The deferred costs are amortized utilizing the straight-line method over the life of the bonds.

Annual and Sick Leave

All full-time classified employees of the **Upper Pontalba** hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days of annual leave and an unlimited number of days of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional years of service.

Due to the City of New Orleans

Due to the City of New Orleans includes amounts owed to the City of New Orleans for the advancement of funds that were required to be paid by the **Upper Pontalba** to meet the cash reserve requirements of the Renovation Loan Agreement and accumulated amounts of distributable net profit of the **Upper Pontalba** as follows:

	<u>1999</u>	<u>1998</u>
Advancement of funds	\$ 82,172	\$ 82,172
Accumulated distributable net profits	<u>300,000</u>	<u>200,000</u>
Total	<u>\$382,172</u>	<u>\$282,172</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Income Taxes

The **Upper Pontalba** is owned by the City and as such, not subject to federal or state income taxes.

Reclassifications

Certain reclassifications have been made to the 1998 financial statements in order to conform to the classifications adopted for reporting in 1999.

NOTE 2 - Cash and Cash Equivalents:

At December 31, 1999 and 1998, the **Upper Pontalba** has cash and cash equivalents (book balances) deposited in interest-bearing accounts totaling \$1,112,594 and \$1,008,104, respectively.

Interest Bearing Demand Deposit

The **Upper Pontalba** is authorized by state statute to open depositories in those banks with branch offices in the state. The State of Louisiana requires Louisiana banks and savings and loans to secure deposits of all Louisiana public entities by pledging government securities as collateral for amounts in excess of federal depository insurance. As of December 31, 1999, the **Upper Pontalba** has \$1,985,095 in interest-bearing deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$2,010,736 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3).

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Cash Equivalents, Continued:

Money Market Funds

These funds, restricted cash equivalents, consist of a U.S. Treasury Securities Money Market Fund (GASB Category 1).

NOTE 3 - Bond Covenants:

The Upper Pontalba is in compliance with all significant requirements for the revenue refunding bonds covenants.

NOTE 4 - Summary of Restricted Assets:

Assets restricted for specific purposes in accordance with bond indenture and other legal restrictions are composed of the following at December 31, 1999 and 1998:

	-----1999-----						
<u>ASSETS</u>	<u>Debt Service Reserve Fund</u>	<u>Operations Reserve Fund</u>	<u>Refunding Cost of Insurance</u>	<u>Debt Service Fund</u>	<u>Replacement and Improvement</u>	<u>Bond Sinking Fund</u>	<u>TOTAL</u>
Certificate of deposit	\$ -0-	\$500,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 500,000
Cash equivalent trust	<u>252,200</u>	<u>-0-</u>	<u>128</u>	<u>52,408</u>	<u>368,823</u>	<u>191,697</u>	<u>865,256</u>
	<u>\$252,200</u>	<u>\$500,000</u>	<u>\$ 128</u>	<u>\$52,408</u>	<u>\$368,823</u>	<u>\$191,697</u>	<u>\$1,365,256</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Summary of Restricted Assets, Continued:

	-----1998-----						
<u>ASSETS</u>	<u>Debt Service Reserve Fund</u>	<u>Operations Reserve Fund</u>	<u>Refunding Cost of Insurance</u>	<u>Debt Service Fund</u>	<u>Replacement and Improvement</u>	<u>Bond Sinking Fund</u>	<u>TOTAL</u>
Certificate of deposit	\$ -0-	\$500,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 500,000
Cash equivalent trust	<u>252,200</u>	<u>-0-</u>	<u>123</u>	<u>99,908</u>	<u>233,529</u>	<u>96,427</u>	<u>682,187</u>
	<u>\$252,200</u>	<u>\$500,000</u>	<u>\$ 123</u>	<u>\$99,908</u>	<u>\$233,529</u>	<u>\$96,427</u>	<u>\$1,182,187</u>

NOTE 5 - Long-term Debt:

Long-term debt consists of the following at December 31, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Series 1996 revenue refunding bonds, variable rate, maturity December 1, 2016	\$5,045,000	\$5,200,000
Less current portion	(165,000)	(155,000)
Less unamortized loss on advance refunding	<u>-0-</u>	<u>(71,045)</u>
Long-term debt	<u>\$4,880,000</u>	<u>\$4,973,955</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Long-term Debt, Continued:

On December 5, 1996, the **Upper Pontalba** issued \$5,480,000 in Revenue Refunding Bonds for the primary purposes retiring a note payable with a bank. This advance refunding resulted in a difference between retirement price and net carrying amount of the old debt of \$277,826. In accordance with Government Accounting Standards Board (GASB) Statement No. 23 "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which was implemented during 1993, this difference, reported in the accompanying financial statements as a deduction from bonds payable, has been charged to operations through December 1999 on a straight-line basis.

The requirements to amortize bonds payable are as follows:

<u>YEAR ENDING</u> <u>DECEMBER 31,</u>	<u>PRINCIPAL</u>
2000	\$ 165,000
2001	175,000
2002	190,000
2003	200,000
2004	215,000
2005 and thereafter	<u>4,100,000</u>
Total	<u>\$5,045,000</u>

NOTE 6 - Due to Other Component Units:

Due to other component units represents reimbursement of salary expense of the building manager and maintenance laborer and the unpaid balance of the management fees for both entities.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Due to Other Component Units, Continued

As of December 31, 1999 and 1998, the **Upper Pontalba** owed \$33,064 and \$34,008, respectively, to the French Market Corporation, a component unit of the City of New Orleans, for management services.

NOTE 7 - Rentals Under Operating Leases:

The **Upper Pontalba** leases space to both commercial and residential tenants. These leases are for varying periods with residential lease terms not to exceed one (1) year and commercial leases not-to-exceed five (5) years. Commercial tenants are required to pay a percentage rent based on sales in excess of stipulated amounts. Commercial tenants rents are subject to increase based on the Consumer Price Index (CPI).

All residential and commercial leases expire at various dates during 2000.

NOTE 8 - Distributable Net Profits:

The Articles of Incorporation and the lease and franchise agreement provide that distributable net profits, as defined, that are derived from the operations of the **Upper Pontalba** or any activity carried on by the **Upper Pontalba** shall be paid to the City of New Orleans, as a body public, except for amounts applied for the reduction of the renovation loan so long as there exist any amounts outstanding under the Renovation Loan Agreement.

The City of New Orleans has not requested payment of the distributable net profits but the amounts are recorded and accumulated in the designated retained earnings of the **Upper Pontalba**. Additionally, the lending institution has not required that funds be restricted for the reduction of the renovation loan.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Fair Value of Financial Instruments:

The estimated fair value of all significant financial instrument amounts have been determined by the **Upper Pontalba** using available market information and appropriate valuation methodologies. The **Upper Pontalba** considers the carrying amounts of cash and cash equivalents, investments and bonds payable to approximate market.

NOTE 10 - Contingencies:

The **Upper Pontalba** is the plaintiff in a claim against a contractor on an alleged default on a bid made for the renovation construction contract. The claim is being defended by the contractor but in management's opinion the amount and likelihood of success cannot be determined at this time.

The **Upper Pontalba** is a defendant in two lawsuits, one involving injuries sustained by the plaintiff in the vicinity of the **Upper Pontalba** Building and another involving a plaintiff's loss of merchandise as a result of fire. In the opinion of the **Upper Pontalba's** management and through the advisement of its attorneys the amount of the loss, if any, cannot be reasonably estimated at this time. As such, a provision for contingencies was not recorded in the financial statements.

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

To the Board of Directors of
Upper Pontalba Building Restoration Corporation
New Orleans, Louisiana

We have audited the financial statements of the **Upper Pontalba Building Restoration Corporation (Upper Pontalba)**, a proprietary component unit of the City of New Orleans as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 27, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Upper Pontalba's** financial statements are free of material and 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.

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

Internal Control Over Financial Reporting

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

This report is intended solely for the use of management, the City of New Orleans and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2000

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

We have audited the financial statements of the **Upper Pontalba Building Restoration Corporation, a proprietary component unit of the City of New Orleans**, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 27, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audits of the financial statements as of December 31, 1999 and 1998 resulted in an unqualified opinion.

1. Summary of Auditors' Results

- A. Reportable conditions in internal control were disclosed by the audit of the financial statements: No Material weaknesses: No.
- B. Noncompliance which is material to the financial statements: No.
- C. Reportable conditions in internal control over major programs: N/A Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 501(a) of OMB Circular a-133: N/A.
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

1. Summary of Auditors' Results, CONTINUED

I. A management letter was issued: No

2. Financial Statement Findings

No matters were reported.

3. Federal Award Findings and Questioned Costs

Not applicable.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Component Unit of the City of New Orleans)
SCHEDULE OF PRIOR YEAR FINDINGS

Section I - Internal Control and Compliance Material to the Financial Statements

No findings were reported.

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

	<u>DESCRIPTION</u>	<u>CURRENT STATUS</u>
98 - 1	We recommended that the Upper Pontalba review its monitoring procedures to ensure that bank deposits in excess of federal deposit insurance limits are always secured with pledge securities in the Upper Pontalba's name.	Resolved

UPPER PONTALBA BUILDING RESTORATION CORPORATION

EXIT CONFERENCE

An exit conference was held at the Office of the French Market Corporation on Friday, April 28, 2000. Those present were:

UPPER PONTALBA BUILDING RESTORATION CORPORATION

Mr. Stephen B. Hand	--	Executive Director
Mrs. Patricia Henry	--	Business Manager

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Lawrence C. Jones, CPA	--	Manager

This report is intended solely for the use of the Board of Directors, the City of New Orleans and management and should not be used for any other purpose.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2000