

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Property, Plant, and Equipment, Continued

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

Description	Method	Estimated Useful Life (Years)
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, 1994 and 1993, \$18,418 and \$162,786, respectively, was encumbered in the capital projects fund at the City of New Orleans.

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.

Sickness and Sick Leave

All full-time classified employees of the Upper Pontalba hired prior to January 1, 1978 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 20 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

UPPER PONTALBA BUILDING RESTORATION CORPORATION

EXIT CONFERENCE

An exit conference was held at the Office of the French Market Corporation on May 27, 1997. Those present were:

UPPER PONTALBA BUILDING RESTORATION CORPORATION

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

BRUND & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Edward Tauriso, Jr., CPA	--	Audit Manager
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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

BRUND & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 1997

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
Upper Portals Building Restoration Corporation

We have audited the financial statements of the Upper Portals Building Restoration Corporation (the Upper Portals) for the year ended December 31, 1996, and have issued our report thereon dated March 24, 1997.

As part of our audit, we made a study and evaluation of the internal control structure, to the extent we considered necessary to evaluate the internal control structure as required by generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. In this study, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

Additionally, in connection with our audit, we reviewed the prior year comments to management to determine whether management had implemented appropriate action to correct the conditions giving rise to the comments. The results of our review with respect to the prior year comments to management are described in the prior year management letter comments section.

A separate report dated March 24, 1997 contains our report on the Upper Portals's internal control structure. Furthermore, this letter does not affect our report dated March 24, 1997 on the financial statements of the Upper Portals.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

COMMERCIAL TENANT CONTRACTS

Observation

Based on our testing of commercial tenant revenues, it was noted that the Upper Postville Commercial tenant contracts are not written in a manner to take advantage of the "Time Value of Money Concept". For example, the current contracts have the following provisions:

- o There is a minimal flat rent due at the end of each month for all commercial tenants based on their leased square footage; and
- o On December 31, of each year the commercial tenants are required to pay the greater of a percentage of their total annual sales or the sum of their minimal monthly rents for the year in question.

Recommendation

We recommend that the Upper Postville consider modifying all new Commercial Tenant Rental Agreements to take advantage of the "Time Value of Money concept". This will potentially allow the Upper Postville to receive more rents from the tenants for the same period of time and higher rents will be received in a much more timely manner (i.e. allowing the Upper Postville more efficient utilization their financial resources).

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel of the managing agent, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 1987

UPPER PONTALBA BUILDING RESTORATION CORPORATION

BALANCE SHEET, CONTINUED
 DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Loan payable - current portion (NOTE 5)	\$ -0-	\$ 87,888
Bonds payable - current portion (NOTE 5)	138,988	-0-
Interest payable	18,778	39,343
Due to city of New Orleans	93,884	800,883
Due to other component units (NOTE 7)	13,370	60,880
Accounts payable	3,923	14,933
Tenant rental security deposits	<u>85,823</u>	<u>80,726</u>
Total current liabilities	<u>363,823</u>	<u>1,878,529</u>
Long-term liabilities:		
Bonds payable less current portion and unamortized loss on advance refunding (NOTE 5)	5,131,287	-0-
Loan payable (NOTE 5)	<u>-0-</u>	<u>4,884,841</u>
Total long-term liabilities	<u>5,131,287</u>	<u>4,884,841</u>
Total liabilities	<u>5,495,110</u>	<u>5,831,370</u>
CONTINGENCIES (NOTE 11)		
Fund equity:		
Capital stock; no par value, one share authorized, issued and outstanding	-0-	-0-
Retained earnings, designated (NOTE 8)	<u>4,780,887</u>	<u>4,733,584</u>
Total fund equity	<u>4,780,887</u>	<u>4,733,584</u>
Total liabilities and fund equity	<u>\$10,276,123</u>	<u>\$10,654,954</u>

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

UPPER MONTALBA BUILDING RESTORATION CORPORATION

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 199 1994 AND 1995

	<u>1994</u>	<u>1995</u>
Operating Revenues:		
Rental income, net of vacancy, and maintenance office allowances of \$29,687 and \$102,053, respectively	\$ 894,887	\$ 879,108
Other income	<u>2,693</u>	<u>23,218</u>
total operating revenues	<u>897,580</u>	<u>902,326</u>
Operating Expenses:		
Salaries and fringe benefits	49,183	33,034
Repairs and maintenance	14,063	38,771
Utilities	29,488	38,368
Insurance	21,679	28,353
Supplies	4,486	7,832
Professional fees	13,868	34,819
Management fees	99,000	99,000
Cleaning and waste removal	-0-	4,589
Amortization of deferred costs	64,313	42,743
Telephone	2,454	1,922
Bad debt expense	8,109	-0-
Depreciation	208,862	214,888
Other	<u>18,840</u>	<u>17,843</u>
Total operating expenses	<u>504,115</u>	<u>498,288</u>
operating income	<u>393,465</u>	<u>404,038</u>
Non-Operating Revenues and Expenses:		
Interest income	39,295	64,687
Interest expense	<u>(465,482)</u>	<u>(484,218)</u>
Net non-operating expense	<u>(426,187)</u>	<u>(419,531)</u>
Net income	67,278	13,984
Retained earnings - Designated, beginning of year (NOTE 9)	4,723,584	4,719,622
Retained earnings - Designated, end of year (NOTE 9)	<u>48,288,892</u>	<u>48,723,606</u>

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
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

We have audited the financial statements of the Upper Pontalba Building Restoration Corporation (the Upper Pontalba), a proprietary component unit of the city of New Orleans, as of and for the years ended December 31, 1998 and 1999 and have issued our report thereon dated March 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts, applicable to Upper Pontalba is the responsibility of the management of the Upper Pontalba. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Upper Pontalba's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported herein under Government Auditing standards.

UPPER PONTALBA BUILDING RESTORATION CORPORATION

BALANCE SHEET
 DECEMBER 31, 1998 AND 1999

	<u>1998</u>	<u>1999</u>
ASSETS		
Current assets:		
Cash and cash equivalents (NOTE 2)	\$ 838,181	\$ 1,011,732
Advances to the pooled revolving investment fund	-0-	258,508
Accounts receivable	48,693	51,538
Due from other component units (NOTE 6)	-0-	83,968
Prepaid assets	<u>18,731</u>	<u>28,322</u>
Total current assets	<u>905,597</u>	<u>1,432,102</u>
Restricted assets:		
Investments at cost, which approximates market (NOTES 2 and 3)	<u>1,087,588</u>	<u>988,008</u>
Total restricted assets	<u>1,087,588</u>	<u>988,008</u>
Property, plant, and equipment (NOTE 4):		
Land	52,000	52,000
Building and improvements	8,614,688	8,577,834
furniture, fixtures, and equipment	97,498	97,498
Less: accumulated depreciation	<u>(1,838,523)</u>	<u>(1,724,762)</u>
Net property, plant, and equipment	<u>7,958,598</u>	<u>6,152,182</u>
Other assets:		
Advances to the capital improvement fund	38,638	343,786
Deferred costs	<u>323,763</u>	<u>327,828</u>
Total other assets	<u>362,401</u>	<u>671,614</u>
total assets	<u>\$10,284,121</u>	<u>\$10,284,224</u>

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

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

In planning and performing our audit of the financial statements of the Upper Meritts for the years ended December 31, 1994 and 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Upper Meritts, in a separate letter dated March 24, 1997.

This report is intended for the information of the Board of Directors, the City of New Orleans and management. This restriction is not intended to limit the distribution of this report which, upon acceptance by management, is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 1997

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT

The prior year Independent Auditors' Comments to management report contained certain comments to management. The following is the current status of those comments.

<u>DESCRIPTION</u>	<u>AUDIT YEARS</u>	<u>RESOLVED</u>	<u>UNRESOLVED</u>
1. Recording of \$600,000 due to other funds	1994 and 1995	X	
2. Outstanding encumbrances held by the City of New Orleans in the capital projects fund	1994 and 1995	X	
3. Under collaterization of deposits held by a bank	1995	X	

UPPER FONTALBA BUILDING RESTORATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Organization:

The Upper Fontalba Building Restoration Corporation (the Upper Fontalba) was organized on July 14, 1988, by the City of New Orleans for the purpose of renovating and operating the upper Fontalba building and other similar ventures owned by the City of New Orleans (the City). The Upper Fontalba Building is a four-story residential and commercial (65 units) space facility located in the French Market. Primarily, all of the Upper Fontalba's tenants are from the greater New Orleans Metropolitan area. The Upper Fontalba experiences an occupancy rate of at least 94% or better. The Upper Fontalba 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 Fontalba, the operations of the Upper Fontalba Building were managed by the Upper Fontalba Building Commission.

During April 1988 the Upper Fontalba completed its four (4) phase \$8.1 million renovation project to refurbish the residential apartments of the Upper Fontalba Building. This was the first major renovation of the Upper Fontalba Building since the 1930's.

Basis of Accounting

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

This report is intended for the information of the Board of Directors, the City of New Orleans and management. This restriction is not intended to limit the distribution of this report, which upon acceptance by management, is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 1997

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

NOTE 7 - 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.

A detail of amounts due to each component of the City of New Orleans is as follows:

Fund	DECEMBER 31,	
	1995	1994
French Market Corporation	\$12,025	\$12,025
Vieux Carré Commission	6,238	6,238
Total	\$18,263	\$18,263

NOTE 8 - 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).

The following is a schedule by year of aggregate future minimum rentals of noncancelable operating leases as of December 31, 1994:

1997	\$ 984,000
1998	888,000
1999	929,400
2000	325,600
Total	\$3,127,000

INDEPENDENT AUDITORS' REPORT

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 Upper Pontalba Building Restoration Corporation, a proprietary component unit of the City of New Orleans, as of December 31, 1996 and 1995, 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 24, 1997 on our consideration of the Upper Pontalba Building Restoration Corporation's internal control structure and a report dated March 24, 1997 on its compliance with laws and regulations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 24, 1997

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Upper Pontalba Building Restoration Corporation

We have audited the accompanying financial statements of Upper Pontalba Building Restoration Corporation, a proprietary component unit of the City of New Orleans, as of December 31, 1996 and 1995, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of Upper Pontalba Building Restoration Corporation. 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 3, the financial statements present only the activities of the Upper Pontalba Building Restoration Corporation and are not intended to present fairly the financial position of the City of New Orleans, the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

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06/84

RECEIVED
STATE REVENUE SERVICE
JUL 18 1984

**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 auditor, or assigned, entity and other appropriate public officials. This 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: JUL 18 1984

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 1986 AND 1985

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

NOTE 11 - Contingencies:

The Upper Pontalba is the plaintiff in a claim against a contractor on an alleged default on a bid made for the restoration 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 their 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.

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's 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 financially 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 FONTALBA BUILDING RESTORATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - 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 Fontalba or any activity carried on by the Upper Fontalba shall be paid to the City, 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 Fontalba. Additionally, the lending institution has not required that funds be restricted for the reduction of the renovation loan.

NOTE 10 - Fair Value of Financial Instruments:

The estimated fair value of all significant financial instrument amounts have been determined by the Upper Fontalba using available market information and appropriate valuation methodologies.

Estimated fair values of the Upper Fontalba's financial instruments (all of which are held for non trading purposes) are as follows:

	<u>DECEMBER 31, 1999</u>		<u>DECEMBER 31, 1998</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
FINANCIAL ASSETS:				
Cash and cash equivalents	\$ 828,114	\$ 828,114	\$1,859,722	\$1,859,722
Amounts to the public revolving investment fund	-	-	299,000	299,000
Investments	1,267,546	1,267,546	500,000	500,000
FINANCIAL LIABILITIES:				
Notes payable	\$1,400,000	\$1,400,000	-	-
Loan payable	-	-	4,441,728	4,441,728

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 these estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows all highly liquid investments with an original maturity of ninety (90) days or less when purchased are considered cash equivalents.

Investments

Investments are stated at cost or amortized cost.

Property, Plant, and Equipment

Property, plant, 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 1994, no such interest was capitalized, however, in 1995 \$12,958 was capitalized.

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

NOTE 5 - Long-term Debt:

On December 5, 1986, the Upper Pontalba issued \$5,400,000 in Reverse Refunding Bonds for the primary purpose 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 Statement (GASBS) No. 23 "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which was implemented during 1981, this difference, reported in the accompanying financial statements as a deduction from bonds payable, is being 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>
1987	\$ 125,000
1988	145,000
1989	155,000
2000	165,000
2001	175,000
2002 & thereafter	4,715,000
Total	\$5,400,000

NOTE 6 - Due from Other Component Units:

Due from other component units represents the Upper Pontalba's allocation of pooled revolving funds that were advanced to pay payroll cost of the following component units of the City of New Orleans:

<u>Fund</u>	<u>DECEMBER 31,</u>	
	<u>1988</u>	<u>1993</u>
French Market Corporation	\$-0-	\$41,408
Audubon Park Commission	-0-	7,103
Orleans Parish Communication District	-0-	18,569
Delgado Alliance	-2-	2,828
Total	\$-0-	\$69,908

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

NOTE 4 - Property, Plant, and Equipment:

A summary of changes in property, plant, and equipment is as follows:

	Balance December 31, 1996	Additions	Disposals	Balance December 31, 1997
Land	\$ 52,000	\$ -	\$ -	\$ 52,000
Building and improvements	8,677,414	27,224	-	8,704,638
Furniture, fixtures, and equipment	12,448	-	-	12,448
	8,741,862	27,224	-	8,769,086
Less: accumulated depreciation	(281,560)	(100,000)	-	(381,560)
	\$8,460,302	\$17,224	\$-	\$8,477,526

NOTE 5 - Long-term Debt:

Long-term debt consists of the following at December 31, 1996 and 1997:

	1996	1997
Series 1996 revenue refunding bonds, variable rate, maturity December 1, 2016	\$5,480,000	-
A noted payable to a bank, fixed 9.94 maturity, December 22, 1999	-	4,942,729
Total	\$5,480,000	4,942,729
Current portion	(155,000)	(67,800)
Unamortized loss on advance refunding	(223,713)	-
Long-term debt	\$5,101,287	\$4,874,929

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

NOTE 2 - Cash and Investments, Continued:

Investments, Continued

held by the financial institution's trust department or agent in the Upper Pontalba's name. Category 3 includes unissued and unregistered investments for which the securities are held by the financial institution or by its trust department, or agent, but not in the Upper Pontalba's name.

	CATEGORY			Carrying Amount	Market Value
	1	2	3		
Certificates of deposits	\$ 500,000	\$-0-	\$-0-	\$ 500,000	\$ 500,000
Cash equivalent trust	587,586	00	00	587,586	587,586
	\$1,087,586	\$00	\$00	\$1,087,586	\$1,087,586

NOTE 3 - 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, 1990:

ASSET	100 Auto Insure Fund	Operation Insure Fund	Refund Cost of Insurance	100 Bonds Fund	Other
	Fund	Fund	Insurance	Fund	Fund
Certificate of deposits cash equivalent trust	\$ -0-	100,000	\$ -0-	\$ -0-	\$ 80,000
	50,000	00	1,000	3,000	50,000
	\$50,000	\$100,000	\$1,000	\$3,000	\$133,000

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

NOTE 3 - Cash and Investments, Continued:

Cash, Continued

At December 31, 1990, the carrying amount of the Upper Pontalba deposits was \$828,181 and the bank balance was \$811,487. The Upper Pontalba bank balance is categorized below to give an indication of the level of risk assumed by the Upper Pontalba at year end. Category 1 includes insured or collateralized cash with securities held by the Upper Pontalba or by its agent in the Upper Pontalba's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or agent in the Upper Pontalba's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Upper Pontalba name.

	CATEGORY			Total
	1	2	3	
Cash	\$828,181	0-0-	0-0-	\$828,181
	\$828,181	0-0-	0-0-	\$828,181

Investments

State statutes authorized the Upper Pontalba to invest in U.S. bonds, treasury notes and other federally-insured investments. The Upper Pontalba also may invest in repurchase agreements secured by U.S. Government obligations.

The Upper Pontalba's (primary government only) are categorized below to give an indication of the level of risk assumed by the Upper Pontalba at year end. Category 1 includes investments that are insured or registered, or held by the Upper Pontalba or its agent in the Upper Pontalba's name. Category 2 includes uninsured and unregistered investments for which the securities are

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Annual and Sick Leave. Continued

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 represent amounts owed to the City of New Orleans for the advancement of funds that were required to be paid by the Upper Fontalba to meet the cash reserve requirements of the Renovation Loan Agreement. The balances owed to the City of New Orleans at December 31, 1986 and 1985 was \$91,484 and \$600,000; respectively.

Income Taxes

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

Reclassifications

certain reclassifications have been made to the 1986 financial statements in order to conform to the classifications adopted for reporting in the 1985.

NOTE 2 - Cash and Investments:

Cash

The Upper Fontalba is authorized by state statute to open depositories in only those banks with branch offices within the City's limits. Investments in certificates of deposit can be placed with Louisiana state banks or with national banks having their principal offices in the state.

UPPER PONTALIA BUILDING RESTORATION CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1994 AND 1993

	1994	1993
Cash flows from Operating Activities:		
Operating income	\$ 493,545	\$ 493,543
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of deferred cash	44,153	43,788
Depreciation	218,442	218,950
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	18,848	(13,894)
Decrease (increase) in due from other component units	63,969	(37,872)
Decrease in due to City of New Orleans	(702,848)	(148,332)
Decrease in due to other other component units	(18,848)	-
Decrease in accounts payable	118,098	(288,898)
Increase in tenant rental security deposit	1,713	28,888
Increase in prepaid assets	(11,384)	(11,828)
Total adjustments	(147,951)	(255,898)
Net cash provided by operating activities	345,594	237,645
Cash flows from Capital and Related Financing Activities:		
Rebate of advance from the capital improvement fund	943,381	38,313
Interest paid on bonds and note	(488,857)	(488,828)
Principal payments on note	(4,948,329)	(37,372)
Proceeds from issuance of bonds	9,488,820	-
Cost of bond issuance and interest	(919,793)	-
Purchase of property, plant and equipment	(127,284)	(327,248)
Net cash used in capital and related financing activities	388,428	(1,084,548)
Cash flows from Investing Activities:		
Proceeds from the sale of investments	-	1,679,504
Withdrawal from the pooled revolving investment fund	389,294	131,043
Interest on investments	38,398	84,802
Purchase of investments	(327,888)	-
Net cash (used in) provided by investing activities	109,804	1,895,359
Net (decrease) increase in cash and cash equivalents	(33,030)	908,356
Cash and cash equivalents, at beginning of year	1,611,732	61,376
Cash and cash equivalents, at end of year	\$ 1,578,702	\$ 611,732

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

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Upper Postalba Building Restoration Corporation

We have audited the financial statements of the Upper Postalba Building Restoration Corporation (the Upper Postalba), a proprietary component unit of the City of New Orleans, as of and for the years ended December 31, 1996 and 1995 and have issued our report thereon dated March 20, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Upper Postalba is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.