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FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 9.1.04

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
French Market Corporation
(A Proprietary Component
Unit of the City of New Orleans)
New Orleans, Louisiana

We have audited the accompanying financial statements of **the French Market Corporation (the Market)**, a proprietary component unit of the City of New Orleans, as of December 31, 2003 and 2002, and for the years then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of **the Market**. 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 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 Market** and do not purport to, and do not, present fairly the financial position of the City of New Orleans, as of December 31, 2003 and 2002, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
French Market Corporation
(A Proprietary Component
Unit of the City of New Orleans)
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In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **the French Market Corporation**, a proprietary component unit of the City of New Orleans, as of December 31, 2003 and 2002 and changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 26, 2004 on our consideration of **the Market's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis on pages 4 to 9 is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
French Market Corporation
(A Proprietary Component
Unit of the City of New Orleans)
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Our audits were performed for the purpose of forming an opinion on the basic financial statements of the **Market**, taken as a whole. The accompanying information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 26, 2004

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

As the financial management of the French Market Corporation, we offer readers of the attached financial statements this narrative overview and analysis of the financial activities of the French Market Corporation for the fiscal year ended December 31, 2003. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in the French Market Corporation's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The French Market Corporation's total net assets increased by \$52,117 or 0.5% over the course of the year's operation. Total operating revenues decreased by \$53,789 or 0.8% from 2002. Operating expenses in 2003 were \$293,834 lower than 2002 expenses primarily due to decreases in contractual expenses. Net non-operating expenses were \$28,109 higher than 2002 expenses due to decreases in interest income and expense.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the French Market Corporation's financial statements, which comprises the basic financial statements and the notes to the financial statements. Since the French Market Corporation consists of a single enterprise fund, no fund level financial statements are shown.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the French Market Corporation's finances, in a manner similar to a private-sector business.

The balance sheets present information on all of the French Market Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the French Market Corporation is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

The statements of revenues, expenses, and changes in fund net assets present information showing how a government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Budgetary Highlights

The French Market Corporation adopts an annual operating budget and a five-year capital budget. The operating budget includes proposed expenses and the means of financing them. The French Market Corporation operating budget remains in effect the entire year.

A 2003 budget comparison and analysis are presented below:

Budget vs. Actual FY 2003			
	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>Variance</u>
Revenues			
From operations	\$7,496,452	\$ 6,916,878	\$(579,574)
Non-operating	<u>150,000</u>	<u>34,123</u>	<u>(115,877)</u>
Total	<u>7,646,452</u>	<u>6,951,001</u>	<u>(695,451)</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Budget vs. Actual, Continued
FY 2003

	<u>2003</u> <u>Budget</u>	<u>2003</u> <u>Actual</u>	<u>Variance</u>
Operating Expenses			
General and administrative	\$ 1,100,000	\$ 904,335	\$ 195,665
Shopping center	1,750,000	1,480,474	269,526
Farmers/flea market	994,119	775,282	218,837
Parking lots	1,055,000	811,836	243,164
Advertising	750,000	572,340	177,660
Visitors' center	125,000	50,624	74,376
Washington Artillery Park	137,143	163,649	(26,506)
Depreciation	-0-	825,733	(825,733)
Amortization of deferred cost	<u>-0-</u>	<u>9,031</u>	<u>(9,031)</u>
Total operating expenses	5,911,262	5,593,304	317,958
Non-operating expenses (bond interest)	<u>127,481</u>	<u>105,580</u>	<u>21,901</u>
Total expenses	<u>6,038,743</u>	<u>5,698,884</u>	<u>339,859</u>
Income before transfer-out	1,607,709	1,252,117	355,592
Transfer-out	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-0-</u>
Change in net assets	<u>\$ 407,709</u>	<u>\$ 52,117</u>	<u>\$(355,592)</u>

Financial Analysis

The French Market Corporation's assets exceeded liabilities by \$11,125,118 at the end of 2003. This represents an increase of \$52,117 (0.5%) from the previous year. The French Market Corporation contributed \$1,200,000 and \$1,100,000 to the City of New Orleans during the years 2003 and 2002, respectively. The net assets for the years 2003 and 2002 have been reduced by the amount of the contribution, respectively. The unrestricted net assets were \$578,718 and \$1,884,229 for the years 2003 and 2002, respectively.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

The largest portion of the French Market Corporation's net assets reflects its investment in capital assets (e.g., building and improvements) less any related debt used to improve those assets that are still outstanding. The French Market Corporation uses these capital assets to provide its primary revenue source and consequently these assets are not available to liquidate liabilities or other spending.

French Market Corporation's Net Assets

	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 1,679,215	\$ 1,315,196
Restricted assets	3,655,128	3,310,484
Net capital assets	<u>8,291,272</u>	<u>8,853,288</u>
 Total assets	 <u>13,625,615</u>	 <u>13,478,968</u>
Current liabilities	2,500,497	1,005,967
Revenue bonds outstanding (net of current portion)	<u>-0-</u>	<u>1,400,000</u>
 Total liabilities	 <u>2,500,497</u>	 <u>2,405,967</u>
Net assets:		
Invested in capital assets net of related debt	6,891,272	7,365,788
Restricted	3,655,128	1,822,984
Unrestricted	<u>578,718</u>	<u>1,884,229</u>
 Total net assets	 <u>\$11,125,118</u>	 <u>\$11,073,001</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Changes in Net Assets

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 6,916,878	\$ 6,970,667
Operating expenses	<u>(5,593,304)</u>	<u>(5,887,138)</u>
Income from operations	<u>1,323,574</u>	<u>1,083,529</u>
Net non-operating revenues (expenses):		
Interest income	34,123	68,663
Bond interest	<u>(105,580)</u>	<u>(112,011)</u>
Net non-operating revenues (expenses)	(71,457)	(43,348)
Income before operating transfer	1,252,117	1,040,181
Transfer out	<u>(1,200,000)</u>	<u>(1,100,000)</u>
Change in net assets	52,117	(59,819)
Net assets, beginning of year	<u>11,073,001</u>	<u>11,132,820</u>
Net assets, end of year	<u>\$11,125,118</u>	<u>\$11,073,001</u>

Cash Flows: Net cash provided by operating activities increased by \$483,422 due primarily to the decrease in amount paid to suppliers for goods and services. Net cash used in capital and related financing activities decreased by \$1,133,673 which was primarily due to the decrease in payments for capital acquisitions. Net cash provided by investing activities decreased by \$32,740 due to the reduction in interest earned on investments.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Capital Assets and Debt Administration

Capital Assets: The French Market Corporation's investment in capital assets amounts to \$8,291,272, net of accumulated depreciation, as of December 31, 2003, a decrease of \$562,016 (6.3%). Capital assets include land, building and improvements, furniture, fixtures and equipment. The decrease in capital assets during the current 2003 fiscal year was primarily due to a decrease in spending for building improvement projects.

The French Market Corporation's five-year capital budget includes major building repairs and renovations; roof, vehicles, and equipment replacements; painting of buildings, and landscape improvements.

Short-term Debt: The French Market Corporation has outstanding bonds payable of \$1,400,000 as of December 31, 2003. The outstanding portion of the bond is due June 1, 2004. The French Market Corporation's rental income is transferred to restricted asset accounts to repay the bonds. There were no changes to the debt structure during fiscal year 2003.

Requests for Information

This financial report is designed to provide a general overview of the French Market Corporation's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the French Market Corporation's Executive Director or Deputy Director at 1008 N. Peters Street, New Orleans, LA 70116.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENTS OF NET ASSETS
DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (NOTE 2)	\$ 1,258,108	\$ 889,889
Receivables:		
Trade (net)	162,454	127,529
Other	165,979	211,546
Tenant advertising	19,362	16,875
Prepaid expenses	<u>59,252</u>	<u>46,744</u>
Total current assets	<u>1,665,155</u>	<u>1,292,583</u>
Noncurrent Assets:		
Restricted Bond Fund Investments:		
Debt service	825,263	60,197
Operation and maintenance	1,812,607	1,911,613
Debt service reserve	175,000	175,000
Maintenance reserve	<u>50,000</u>	<u>50,000</u>
Total bond fund investments	<u>2,862,870</u>	<u>2,196,810</u>
Other restricted investments-capital improvements	<u>792,258</u>	<u>1,113,674</u>
Total restricted assets	<u>3,655,128</u>	<u>3,310,484</u>
Capital assets, net of accumulated depreciation (NOTES 1 AND 3)	<u>8,291,272</u>	<u>8,853,288</u>
Other Assets:		
Utility deposits	10,430	10,472
Other	<u>3,630</u>	<u>12,141</u>
Total other assets	<u>14,060</u>	<u>22,613</u>
Total assets	<u>\$13,625,615</u>	<u>\$13,478,968</u>

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

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENTS OF NET ASSETS, CONTINUED
DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 169,095	\$ 235,702
Accrued expenses	264,136	231,520
Other liabilities	8,244	8,244
Rental deposits	104,523	102,574
Due to City agencies-net	530,450	294,998
Deferred revenues	15,474	36,318
Accrued interest payable	8,575	9,111
Current portion of revenue bonds payable (NOTE 4)	<u>1,400,000</u>	<u>87,500</u>
Total current liabilities	<u>2,500,497</u>	<u>1,005,967</u>
Long-term Debt:		
Revenue bonds payable (NOTE 4)	<u>-0-</u>	<u>1,400,000</u>
Total liabilities	<u>2,500,497</u>	<u>2,405,967</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,891,272	7,365,788
Restricted	3,655,128	1,822,984
Unrestricted	<u>578,718</u>	<u>1,884,229</u>
Total net assets	<u>\$11,125,118</u>	<u>\$11,073,001</u>

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

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues:		
Rental income	\$ 6,058,904	\$ 6,064,775
Other income	<u>857,974</u>	<u>905,892</u>
Total operating revenues	<u>6,916,878</u>	<u>6,970,667</u>
Operating Expenses:		
General and administrative	904,335	888,084
Shopping center	1,480,474	1,478,042
Farmers/flea market	775,282	783,770
Parking lots	811,836	871,724
Advertising	572,340	819,996
Visitor's center	50,624	113,594
Washington Artillery Park	163,649	140,326
Depreciation	825,733	782,571
Amortization of deferred costs	<u>9,031</u>	<u>9,031</u>
Total operating expenses	<u>5,593,304</u>	<u>5,887,138</u>
Operating income	<u>1,323,574</u>	<u>1,083,529</u>
Non-operating revenues/(expenses):		
Interest income	34,123	68,663
Bond interest	<u>(105,580)</u>	<u>(112,011)</u>
Total non-operating revenues/(expenses)	<u>(71,457)</u>	<u>(43,348)</u>
Income before transfer-out	1,252,117	1,040,181
Transfer-out (NOTE 6)	<u>(1,200,000)</u>	<u>(1,100,000)</u>
Change in net assets	52,117	(59,819)
Net assets, beginning of year	<u>11,073,001</u>	<u>11,132,820</u>
Net assets, end of year	<u>\$11,125,118</u>	<u>\$11,073,001</u>

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

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:		
Received from tenants	\$ 6,022,963	\$ 6,134,877
Received from others	873,697	859,700
Paid to suppliers for goods and services	(2,801,050)	(3,384,885)
Paid to employees for services	<u>(1,768,537)</u>	<u>(1,766,041)</u>
 Net cash provided by operating activities	 <u>2,327,073</u>	 <u>1,843,651</u>
 Cash Flows from Noncapital Financial Activities:		
Operating transfer out	<u>(1,200,000)</u>	<u>(1,100,000)</u>
 Net cash used in noncapital financing activities	 <u>(1,200,000)</u>	 <u>(1,100,000)</u>
 Cash Flows from Capital and Related Financing Activities:		
Interest paid on bonds	(106,116)	(112,547)
Principal payments on bonds	(87,500)	(87,500)
Payments for capital acquisitions	<u>(263,717)</u>	<u>(1,390,959)</u>
 Net cash used in capital and related financing activities	 <u>(457,333)</u>	 <u>(1,591,006)</u>
 Cash Flows from Investing Activities:		
Interest on investments	34,123	68,663
Proceeds from sale of vehicle	<u>9,000</u>	<u>7,200</u>
 Net cash provided by investing activities	 <u>43,123</u>	 <u>75,863</u>
 Net (decrease) increase in cash and cash equivalents	 712,863	 (771,492)
 Cash and cash equivalents at beginning of year	 <u>4,200,373</u>	 <u>4,971,865</u>
 Cash and cash equivalents at end of year	 <u>\$ 4,913,236</u>	 <u>\$ 4,200,373</u>

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

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Reconciliation of Operating Income to Net		
Cash Flows from Operating Activities:		
Operating income	\$1,323,574	\$1,083,529
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of deferred costs	9,031	9,031
Depreciation	825,733	782,571
Gain on sale of vehicle	(9,000)	(7,200)
Changes in assets and liabilities:		
Decrease in receivables	8,155	11,269
Increase (decrease) in accounts payable and accrued expenses	201,461	(48,938)
(Decrease) increase in tenant rental deposit	1,949	(583)
Increase in prepaid expenses	(12,508)	(6,452)
(Decrease) increase in deferred revenues	(20,844)	19,683
(Increase) Decrease in other assets	<u>(478)</u>	<u>741</u>
Net cash provided by operating activities	<u>\$2,327,073</u>	<u>\$1,843,651</u>

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

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Organization

The **French Market Corporation (the Market)** was formed January 1, 1972, by the City of New Orleans to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market. **The Market** is a non-profit corporation that is owned by the City of New Orleans and administered by a Board of Directors consisting of twelve members appointed by the Mayor of New Orleans.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

The term measurement focus is used to denote what is being measured and reported in **the Market's** operating statement. **The Market** is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether **the Market** is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on **the Market's** operating statement. **The Market** used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Market has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting and Financial Statement Presentation, Continued

The Market has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments.*" Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *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 net assets* - 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".

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting and Financial Statement Presentation, Continued

The Market has also adopted the provisions of Governmental Accounting Standards Board Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." This statement requires that capital contributions to **the Market** be presented as a change in net assets.

The adoption of Statement No. 34 affected the classification of net assets in accordance with the statement. **The Market** concluded that the adoption of Statement No. 33 did not have a material impact of the financial position, results of operations and changes in net assets, or cash flows of **the Market**.

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 of the primary government to impose its will on that organization and/or;

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Reporting Entity, Continued:

- 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.

Since **the Market** 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 Market** 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 accounting principles generally accepted in the United States of America 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.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Statements of Cash Flows

For purposes of the statements of cash flows, **the Market** considers all highly liquid investments within a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents presented in the statements of cash flows represents the total cash and cash equivalents reported as current and restricted assets.

Cash and Cash Equivalents

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include short-term, highly liquid U.S. Treasury securities money market funds. Under state law, **the Market** may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Restricted Assets

The Market, 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.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Capital Assets

Capital assets 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 2003 and 2002, no such interest was capitalized.

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

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life (years)</u>
Buildings and improvements	Straight-line	10-50
Furniture, fixtures, and equipment	Straight-line	5-10
Vehicles	Straight-line	5

Accounts Receivables

It is the practice of management to provide an allowance for any account which in management's opinion may not be collectible based upon a review of the current status of existing receivables.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Annual and Sick Leave

All full-time classified employees of the Market 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 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.

Income taxes

The Market is owned by the City of New Orleans, and as such, no federal or state income taxes are assessed.

Reclassifications

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 classifications.

NOTE 2 - Cash and Cash Equivalents :

At December 31, 2003 and 2002, the Market had cash and cash equivalents (book balances) totaling \$4,913,236 and \$4,200,373, respectively.

	<u>2003</u>	<u>2002</u>
Interest-bearing demand deposits	\$1,021,594	\$ 654,337
U.S. Treasury securities money market funds - restricted assets	3,655,128	3,310,484
U.S. Treasury securities money market funds with financial institutions	<u>236,514</u>	<u>235,552</u>
Total	<u>\$4,913,236</u>	<u>\$4,200,373</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Cash Equivalent, Continued:

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2003, the Market has \$1,249,987 in interest-bearing deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,545,947 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3).

Cash equivalents consisting of U.S. Treasury Securities money market funds are classified as Category 1 credit risk under GASB Statement No. 3.

NOTE 3 - Capital Assets:

Capital assets are summarized as follows:

	December 31, <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2003</u>
Land-Elysian Fields	\$ 99,917	\$ -0-	\$ -0-	\$ 99,917
Buildings & improvements	11,090,099	373,931	-0-	11,464,030
Furniture & equipment	695,860	41,701	(44,463)	693,098
Alley and Moonwalk improvements	1,912,778	176,906	(30,874)	2,058,810
Parking lots	1,369,705	34,970	(13,129)	1,391,546
Ursuline Floodwall Gate	472,398	-0-	-0-	472,398
Vehicles	261,793	39,389	(24,817)	276,365
Construction in progress	<u>403,180</u>	<u>5,959</u>	<u>(409,139)</u>	<u>-0-</u>
Sub-total	16,305,730	672,856	(522,422)	16,456,164
Accumulated depreciation	<u>(7,452,442)</u>	<u>(825,733)</u>	<u>113,283</u>	<u>(8,164,892)</u>
Total capital assets	<u>\$ 8,853,288</u>	<u>\$(152,877)</u>	<u>\$(409,139)</u>	<u>\$ 8,291,272</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Revenue Bond Payable:

The Market has issued taxable revenue bonds, Series 1999, for the purpose of redeeming the outstanding 73 Bonds, financing, the cost of the acquisition of a certain parcel of property and financing the cost of the acquisition and construction of improvements.

The French Market Corporation 7.35% Taxable Revenue Bonds, Series 1999, of \$1,750,000 are payable solely from the income and revenues derived by **the Market** from subleases of its properties. The Bonds are due in annual principal installments of \$87,500 beginning June 1, 2000 and ending June 1, 2004, with a balloon principal payment of \$1,400,000.

The Market has complied with all bond covenants at December 31, 2003.

NOTE 5 - Minimum Future Rentals:

The Market has entered into rental agreements which require the tenant to pay **the Market** minimum monthly rental payments plus contingent rentals. These operating leases expire in various years through the year 2008.

Minimum future rentals to be received under the various operating leases as of December 31, 2003 for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$1,001,607
2005	501,910
2006	219,210
2007	144,432
2008	<u>61,161</u>
Total	<u>\$1,928,320</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Minimum Future Rentals, Continued:

Minimum future rentals do not include the service of any options that may be available to the various tenants.

Minimum future rentals also do not include any contingent rentals that may be received under the lease agreements or other rentals.

NOTE 6 - Transfer Out:

At December 31, 2003, **the Market** has distributed \$1,200,000 to the City of New Orleans. This transfer was authorized by **the Market's** Board of Directors and approved by the New Orleans City Council.

NOTE 7 - Capital Improvement Plan:

The Market has a five-year capital improvement plan that includes various projects in several departments/units of **the Market**. Projects include, but are not limited to, purchasing additional security equipment, painting, plumbing, and certain major building repairs.

NOTE 8 - Contingencies:

The Market is a defendant in three (3) lawsuits, filed by individuals in a Louisiana State court, alleging negligence and damages sustained in connection with the respective injuries occurring in 2001. Outside counsel for **the Market** has advised that at this stage in the proceedings he cannot offer opinions as to the probable outcomes of these three lawsuits. **The Market** believes the suits are without merit and is vigorously defending its positions.

SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULES OF OTHER INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

<u>DESCRIPTION</u>	<u>2003</u>	<u>2002</u>
Common Area Assessments	\$ 497,496	\$ 465,869
Tenant Advertising	215,946	214,316
Kiosk	36,000	36,000
Tenant Fees	15,415	59,577
Gain - Asset Disposition	9,000	7,200
Management Fee - Upper Pontalba	50,000	50,000
Washington Artillery Park	8,722	29,178
Miscellaneous	<u>25,395</u>	<u>43,752</u>
Total Other Income	\$ <u>857,974</u>	\$ <u>905,892</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

DESCRIPTION	2003	2002
GENERAL AND ADMINISTRATIVE:		
PERSONNEL SERVICES	\$ 579,920	\$ 503,060
CONTRACTUAL SERVICES	283,414	341,760
SUPPLIES AND MATERIALS	40,111	43,264
OTHER	890	-
TOTAL GENERAL AND ADMINISTRATIVE	904,335	888,084
SHOPPING CENTER:		
PERSONNEL SERVICES	656,856	684,284
CONTRACTUAL SERVICES	732,618	663,554
SUPPLIES AND MATERIALS	102,861	84,048
OTHER	744	46,156
TOTAL SHOPPING CENTER	1,493,079	1,478,042
FARMERS/FLEA MARKET:		
PERSONNEL SERVICES	399,918	419,631
CONTRACTUAL SERVICES	358,082	351,581
SUPPLIES AND MATERIALS	17,282	12,506
OTHER	-	52
TOTAL FARMERS/FLEA MARKET	775,282	783,770
MOONWALK / ELYSIAN FIELDS PARKING LOTS:		
CONTRACTUAL SERVICES	811,836	871,724
TOTAL PARKING LOTS	811,836	871,724
ADVERTISING:		
CONTRACTUAL SERVICES	559,735	819,996
TOTAL ADVERTISING	559,735	819,996
VISITORS CENTER:		
PERSONNEL SERVICES	49,678	106,813
CONTRACTUAL SERVICES	918	6,283
SUPPLIES AND MATERIALS	27	498
TOTAL VISITORS CENTER	50,623	113,594
WASHINGTON ARTILLERY PARK:		
PERSONNEL SERVICES	50,233	31,893
CONTRACTUAL SERVICES	112,045	104,146
SUPPLIES AND MATERIALS	1,372	4,287
TOTAL WASHINGTON ARTILLERY	163,650	140,326
DEPRECIATION AND AMORTIZATION		
DEPRECIATION	825,733	782,571
AMORTIZATION OF DEFERRED COSTS	9,031	9,031
TOTAL DEPRECIATION AND AMORTIZATION	834,764	791,602
TOTAL OPERATING EXPENSES	\$ 5,593,304	\$ 5,887,138

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULES OF ACCOUNTS RECEIVABLE-OTHER
AS OF DECEMBER 31, 2003 AND 2002

<u>DESCRIPTION</u>	<u>2003</u>	<u>2002</u>
TENANTS	\$ 9,411	\$ 7,502
W.J.. MILLER ENT	-	17
PARKING LOT	114,188	143,261
FARMERS MARKET	(344)	17,903
TUITION REIMBURSEMENT	2,002	2,002
LA COCA-COLA	-	1,774
UPPER PONTALBA	40,624	38,045
INTEREST INCOME RECEIVABLE	<u>98</u>	<u>1,042</u>
TOTAL ACCOUNTS RECEIVABLE-OTHER	<u>\$ 165,979</u>	<u>\$ 211,546</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION.

FRENCH MARKET CORPORATION
 (A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2002

	BOND REVENUE	OPERATION AND MAINTENANCE	DEBT SERVICE	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CAPITAL IMPROVEMENTS	2003	2002
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ -	\$ 1,911,613	\$ 60,197	\$ 175,000	\$ 50,000	\$ 1,113,674	\$ 3,310,484	\$ 4,148,657
CASH RECEIPTS								
Indirect Transfer	4,731,377	5,101,034	958,449	-	-	1,004,423	11,795,283	11,240,049
Interest Received	48	12,008	1,454	1,124	321	9,310	24,265	54,441
TOTAL CASH RECEIPTS	4,731,425	5,113,042	959,903	1,124	321	1,013,733	11,819,548	11,294,490
TOTAL CASH AND CASH EQUIVALENTS AVAILABLE	4,731,425	7,024,655	1,020,100	176,124	50,321	2,127,407	15,130,032	15,443,147
CASH DISBURSEMENTS								
Interfund Transfers	4,731,382	5,204,007	193,616	323	92	1,328,101	11,457,521	12,112,966
Interest Payments	-	-	-	-	-	-	-	11,459
Trustee Fees & Management Fees	43	8,041	1,222	801	229	7,047	17,383	8,238
TOTAL CASH DISBURSEMENTS	4,731,425	5,212,048	194,838	1,124	321	1,335,148	11,474,904	12,132,663
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 1,812,607	\$ 825,262	\$ 175,000	\$ 50,000	\$ 792,259	\$ 3,655,128	\$ 3,310,484

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.



Member
American Institute of
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Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

**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
French Market Corporation
**(A Proprietary Component Unit of
the City of New Orleans)**
New Orleans, Louisiana

We have audited the financial statements of **the French Market Corporation (the Market)** (a proprietary component unit of the City of New Orleans) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **the Market's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **the Market'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of **the Market** in a separate letter dated March 26, 2004.

This report is intended solely for the use of the Board of Directors, its 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 26, 2004

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

We have audited the financial statements of the **French Market Corporation (the Market)** (a proprietary component unit of the City of New Orleans), as of and for the year ended December 31, 2003, and have issued our report thereon dated March 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2003 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: None Reported 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.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

1. **Summary of Auditors' Results, CONTINUED**

I. A management letter was issued: Yes

2. **Financial Statement Findings**

No matters were reported.

3. **Federal Award Findings and Questioned Costs**

Not applicable.

FRENCH MARKET CORPORATION
(A Proprietary 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

See Schedule of Prior Year Findings reported to management of **the Market** in a separate letter dated March 26, 2004.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)

EXIT CONFERENCE

An exit conference was held at the Office of the **French Market Corporation** on May 26, 2004. Those present were:

FRENCH MARKET CORPORATION

Ms. Leatrice Siegel	--	President, Board of Directors
Mr. Charles Napoli	--	Treasurer, Board of Directors
Councilmember-At-Large Oliver Thomas, Jr.	--	Board Member
Councilmember-At-Large Eddie Sapir	--	Board Member
Ms. Deborah Harkins	--	Board Member
Mr. Alan Fisher	--	Board Member
Ms. Melba Ferdinand	--	Board Member

BRUNO & TERVALON LLP, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



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Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of the
French Market Corporation
(A Component Unit of the City of New Orleans)
New Orleans, Louisiana

We have audited the financial statements of **the French Market Corporation (the Market)** for the year ended December 31, 2003 and have issued our report thereon dated March 26, 2004.

In planning and performing our audit of the financial statements of **the Market** for the year ended December 31, 2003, we considered **the Market's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The comments that accompany this letter summarize our findings and recommendations regarding these matters. Also, we have reviewed Management's Corrective Action Plan with regard to our December 31, 2003 management letter. The current status of the December 31, 2003 conditions have been summarized in the accompanying memorandum. This letter does not affect our report dated March 26, 2004 on the financial statements of **the Market**.

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

FRENCH MARKET CORPORATION
(A Component Unit of the City of New Orleans)

CURRENT YEAR MANAGEMENT LETTER COMMENTS

03-01 Accounts Receivable

We noted during our audit that the accounts receivable aging report was not timely reconciled to the general ledger, on a monthly basis. As a result, the general ledger balance was less than the accounts receivable aging report detailed total by about \$15,000 at December 31, 2003. Subsequent audit adjustment was made to reconcile the difference.

Reconciling the accounts receivable aging report to the general ledger reduces the risk or errors and misrepresentations in the financial statements.

We recommend that **the Market** take the necessary steps to ensure that the accounts receivable subsidiary records are reconciled to the general ledger control accounts, on a monthly basis.

03-02 Untimely Deposits

As in the prior year, we noted during our test of cash receipts that several receipts for advertisement revenues were not timely deposited to the bank.

We recommend that **the Market** implement controls to ensure protection of cash received by **the Market** include endorsing checks as soon as they are received and promptly depositing them in a bank account. Each day's cash receipts should be deposited intact and without delay in an individual independent to other cash functions.

FRENCH MARKET CORPORATION
(A Component Unit of the City of New Orleans)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT

02-01 Outstanding Checks

We recommended that **the Market** implement control procedures to timely investigate checks outstanding for sixty (60) days or more.

Current Status

Resolved.

02-02 Untimely Deposits

We recommended that **the Market** implement controls to ensure protection of cash received by **the Market** include endorsing checks as soon as they are received and promptly depositing them in a bank account. Each day's cash receipts should be deposited intact and without delay by an individual independent to other cash functions.

Current Status

Partially resolved. **The Market** has immediately revised its bank deposit procedures subsequent to the issuance of the 2002 management letter. We noted that the cash receipts tested subsequent to the date of the revised procedures were deposited in a timely manner.

02-03 Segregation of Duties

We recommended that **the Market** review its current assigned accounting duties and implement control procedures to ensure that accounting duties are adequately segregated with available accounting personnel. For activities that are incompatible, additional procedures should be established for management to review and oversee such activities for the purpose of compensating for the lack of adequate segregation of duties.

**FRENCH MARKET CORPORATION
(A Component Unit of the City of New Orleans)**

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT, CONTINUED

02-03 Segregation of Duties, Continued

Current Status

Resolved. **The Market** has segregated accounting duties to the extent possible with its small accounting staff. **The Market** has mitigating controls in place that requires management to oversee incompatible activities of the accounting staff.

This report is intended solely for the use of the Board of Directors, its management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 26, 2004



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C. Ray Nagin, Mayor

Richard G. McCall, Director

June 15, 2004

Grover Austin, CPA
Interim Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Austin:

Herewith our response to the matters contained in the "Independent Auditors' Comments to Management" letter for the year ended December 31, 2003, dated March 26, 2004.

Condition:

013-01 Accounts Receivable

We noted during our audit that the accounts receivable aging report was not timely reconciled to the general ledger, on a monthly basis. As a result, the general ledger balance was less than the accounts receivable aging report detailed total by about \$15,000 at December 31, 2003. Subsequent audit adjustment was made to reconcile the difference.

Response

French Market Corporation has a new Chief Accountant that has implemented procedures to reconcile the general ledger to the subsidiary ledger on a monthly basis.

Condition:

013-02 Untimely Deposits


As in the prior year, we noted during our test of cash receipts for advertisement revenues were not timely deposited to the bank

Response

French Market Corporation's new Chief Accountant has implemented controls to ensure timely deposits of revenues. Deposits are made within two business days after checks are received.

If you have any questions regarding the above, please do not hesitate to contact me at (504) 522-2621.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard G. McCall", written in a cursive style.

Richard G. McCall
Executive Director