

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NEW ORLEANS, LOUISIANA**

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Upper Pontalba Building Restoration Corporation
(A Proprietary Component Unit
of the City of New Orleans)
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Upper Pontalba Building Restoration Corporation (the Upper Pontalba), a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Upper Pontalba's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Upper Pontalba, as of and for the year ended December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Pontalba's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2013, on our consideration of the Upper Pontalba's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Upper Pontalba's internal control over financial reporting and compliance.

Paillet, Meunier and LeBlanc, LLP

New Orleans, Louisiana
May 30, 2013

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Upper Pontalba Building Restoration Corporation (the Upper Pontalba), a proprietary component unit of the City of New Orleans, management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Upper Pontalba's financial activity, and identify changes in the Upper Pontalba's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2012.

As required in GASB 34, the financial report is presented in the following order:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenditures and Changes in Net Position
 - Statement of Cash Flow
 - Notes to the Financial Statements
- Other Required Supplementary Information
- Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS

The Upper Pontalba's financial statements comprise the basic financial statements and the notes to the financial statements. These statements use the full accrual basis of accounting similar to private sector companies. Since the Upper Pontalba consists of a single enterprise fund, no fund level financial statements are shown. The basic financial statements are designed to provide readers with a broad overview of the Upper Pontalba's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Upper Pontalba's assets and liabilities, with the difference between the two reported as net position, over time, increases or decreases in net position may serve as a useful indicator of whether the financial positions of the Upper Pontalba is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, results in increased net position, which indicates an improved financial position.

The Statement of Revenue, Expenses, and Changes in Fund Net Position presents information showing how the Upper Pontalba's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related-cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (i.e., earned but unused vacation leave).

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

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE UPPER PONTALBA

The Upper Pontalba's total assets for 2012 decreased by \$(1,600,737) as a result of decreases to cash and cash equivalents and capital assets. The total liabilities decreased in 2012 by \$2,119,096 primarily due to the early retirement of outstanding Bonds. As a result, the Upper Pontalba's assets exceeded liabilities by \$8,148,952 at the end of 2012. There was an increase of \$518,359 from the previous year.

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets	\$ 1,413,236	\$ 772,422
Noncurrent assets	<u>8,049,272</u>	<u>10,290,823</u>
Total assets	<u>9,462,508</u>	<u>11,063,245</u>
 LIABILITIES		
Current liabilities	1,313,556	1,682,652
Noncurrent liabilities	<u>-</u>	<u>1,750,000</u>
Total liabilities	<u>1,313,556</u>	<u>3,432,652</u>
 Total Assets less Liabilities	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>
 NET POSITION		
Invested in capital assets	\$ 8,049,272	\$ 5,361,433
Retricted for:		
Debt Service	-	656,388
Operations Reserve	-	847,386
Replacement and improvement reserve	-	1,303,784
Unrestricted	<u>99,680</u>	<u>(538,398)</u>
Total net position	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>

CAPITAL ASSETS

The Upper Pontalba's investment in capital assets amounts to \$8,049,272, net of accumulated depreciation, as of December 31 2012, which is an increase of \$566,007 as compared to 2011. Capital assets include land, buildings and improvements, furniture, fixtures, and equipment. The Upper Pontalba uses these capital assets to provide its primary revenue source and consequently these assets are not available to liquidate liabilities or other spending.

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 14,183,070	\$13,287,654
Less: accumulated depreciation	<u>6,133,798</u>	<u>5,804,389</u>
 Net capital assets	<u>\$ 8,049,272</u>	<u>\$ 7,483,265</u>

Depreciation expense for the year is \$329,410.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

DEBT ADMINISTRATION

The Upper Pontalba has retired all outstanding bonds payable as of December 31, 2012.

NET POSITION

As indicated below, total net position is \$8,148,952. Net position can be separated into three categories: invested in capital assets, net of related debt, Restricted for revenue bond service, and unrestricted net position. The largest portion of the Upper Pontalba's net position reflects its investments in capital assets (i.e., buildings and improvements) less any related debt used to improve those assets that are still outstanding.

	2012	2011
NET POSITION:		
Invested in capital assets, net of related debt	\$ 8,049,272	\$ 5,361,433
Restricted for:		
Debt Service	-	656,388
Operations Reserve	-	847,386
Replacement and improvement reserve	-	1,303,784
Unrestricted	99,680	(538,398)
TOTAL NET POSITION	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>

Net position invested in capital assets are a combination of capital assets at original cost less accumulated depreciation and less any related debt. The original cost of capital assets is \$14,183,070, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition, \$6,133,798. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. The related debt is the revenue bond debt service. These amounts are restricted because of certain bond covenants and are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. As of and for the year ended December 31, 2012, the related amount of debt was \$-.

The remaining unrestricted net position is \$99,680. The unrestricted net position is an accumulation of prior years' operating results. This balance is directly affected each year by the Upper Pontalba's operating results.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
 (A Proprietary Component Unit of the City of New Orleans)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

RESULTS OF OPERATIONS

The Upper Pontalba's total net position increased by \$518,359 over the course of the year's operations primarily due to an increase in operating revenues. Total operating revenues increased by \$190,296 or 11.7% from the previous year. This resulted primarily due to a gradual reduction in the discount of tenant rents through the beginning portion of the year and increased rental rates.

	2012	2011
Operating revenues	\$ 1,823,435	\$ 1,633,139
Operating expenses	1,209,435	1,206,947
Operating Income	614,000	426,192
Non-operating expenses	4,359	2,124
Income before transfer out	618,359	428,316
Transfer out	(100,000)	(100,000)
Increase (decrease) in net position	\$ 518,359	\$ 328,316

Operating expenses were higher in 2012 by \$2,488 due primarily to an increase in depreciation expenses.

ORIGINAL VS. REVISED BUDGET

The Upper Pontalba adopts an annual operating budget and a five-year capital budget. The operating budget includes proposed expenses and the means of financing them. The operating budget remains in effect throughout the year. The capital budget includes major building repairs and renovations, vehicle purchases, equipment replacements, painting of buildings, and landscape improvements.

REVENUE BUDGET

The Upper Pontalba's actual general fund revenues of \$1,826,673 were less than the budget by \$37,224, a variance of approximately 2.0%.

EXPENDITURE BUDGET

The Upper Pontalba's actual general fund expenditures of \$4,001,632 were higher than the budget by \$2,137,735, a variance of approximately 53.4%. \$87,009 was attributed to operating expenditures, \$1,584,191 was attributed to early retirement of outstanding debt, and \$466,535 was attributed to purchases of fixed assets.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

CONTACTING THE UPPER PONTALBA BUILDING RESTORATION COMPANY'S FINANCIAL
MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Upper Pontalba's finances and demonstrate the Upper Pontalba's accountability for money it receives. If you have questions about this report or need additional information, contact Ms. Ann Duplessis, Executive Director, at 1008 N. Peters St., New Orleans, LA 70116.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF NET POSITION
DECEMBER 31,

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 1,329,105	\$ 705,820
Tenant accounts receivables	29,083	12,200
Other receivables	5,692	5,039
Prepaid expenses	<u>49,356</u>	<u>49,363</u>
Total Current Assets	<u>1,413,236</u>	<u>772,422</u>
Noncurrent Assets		
Restricted cash and cash equivalents	-	2,807,558
Capital assets, net of accumulated depreciation	<u>8,049,272</u>	<u>7,483,265</u>
Total Noncurrent Assets	<u>8,049,272</u>	<u>10,290,823</u>
TOTAL ASSETS	<u>9,462,508</u>	<u>11,063,245</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	104,207	156,308
Tenant Rental deposits	150,979	151,537
Due to city agencies-net	1,029,736	968,914
Deferred rental income	<u>28,634</u>	<u>34,061</u>
Total Current Liabilities	<u>1,313,556</u>	<u>1,310,820</u>
Liabilities payable from restricted assets:		
Bonds payable - current portion	-	365,000
Bonds interest payable	<u>-</u>	<u>6,832</u>
Total liabilities payable from restricted assets	<u>-</u>	<u>371,832</u>
Noncurrent Liabilities:		
Revenue bonds payable	<u>-</u>	<u>1,750,000</u>
Total Noncurrent Liabilities	<u>-</u>	<u>1,750,000</u>
TOTAL LIABILITIES	<u>1,313,556</u>	<u>3,432,652</u>
TOTAL ASSETS LESS TOTAL LIABILITIES	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 8,049,272	\$ 5,361,433
Restricted for:		
Debt service	-	656,388
Operations reserve	-	847,386
Replacement and improvement reserve	-	1,303,784
Unrestricted	<u>99,680</u>	<u>(538,398)</u>
TOTAL NET POSITION	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31,

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Rental income, net of vacancies of \$178,035 and \$100,073 for 2012 and 2011 respectively	\$ 1,809,347	\$ 1,627,223
Other income	<u>14,088</u>	<u>5,916</u>
Total operating revenues	<u>1,823,435</u>	<u>1,633,139</u>
Operating expenses:		
Salaries and related fringes	233,156	188,095
Letter of credit maintenance fee	38,358	51,819
Repairs and maintenance	111,218	107,152
Utilities	98,842	99,195
Insurance	177,285	194,403
Supplies	25,596	34,898
Professional Fees	98,236	137,661
Management Fees	50,000	50,000
Depreciation	329,410	317,178
Advertising	15,020	2,898
Other	<u>32,314</u>	<u>23,648</u>
Total Operating Expenses	<u>1,209,435</u>	<u>1,206,947</u>
Operating income	<u>614,000</u>	<u>426,192</u>
Non-operating revenues/ (expenses):		
Interest income	3,238	11,046
Bond interest	<u>1,121</u>	<u>(8,922)</u>
Total non-operating expenses	<u>4,359</u>	<u>2,124</u>
Income before transfer out	618,359	428,316
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>
Changes in Net Position	518,359	328,316
Net Position - January 01,	<u>7,630,593</u>	<u>7,302,277</u>
Net Position - December 31,	<u>\$ 8,148,952</u>	<u>\$ 7,630,593</u>

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2012	2011
Cash Flows from Operating Activities:		
Received from tenants	\$ 1,786,479	\$ 1,667,844
Received from others	14,088	5,916
Paid to suppliers for goods and services	(638,794)	(456,301)
Paid to employees for services	<u>(233,156)</u>	<u>(188,095)</u>
Net cash provided by operating activities	<u>928,617</u>	<u>1,029,364</u>
Cash Flows from Noncapital Financial Activities:		
Operating transfer out	<u>(100,000)</u>	<u>(100,000)</u>
Capital used in noncapital financing activities	<u>(100,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bonds	1,121	(8,922)
Principal payments on bond	(2,121,832)	(345,000)
Payments for capital acquisitions	<u>(895,416)</u>	<u>(523,863)</u>
Capital used in capital and related financing activities	<u>(3,016,127)</u>	<u>(877,785)</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>3,238</u>	<u>11,046</u>
Cash provided by investing activities	<u>3,238</u>	<u>11,046</u>
Net increase in cash and cash equivalents	(2,184,272)	62,625
Cash and cash equivalents - January 01,	<u>3,513,377</u>	<u>3,460,753</u>
Cash and cash equivalents - December 31,	<u>\$ 1,329,105</u>	<u>\$ 3,523,378</u>
Reconciliation to Statements of Net Position:		
Cash and cash equivalents - current assets	\$ 1,329,105	\$ 705,820
Restricted cash and cash equivalents	<u>-</u>	<u>2,807,558</u>
Total Cash and Cash Equivalents	<u>\$ 1,329,105</u>	<u>\$ 3,513,378</u>

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2012	2011
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income	\$ 614,000	\$ 426,192
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	329,410	317,178
Changes in assets and liabilities:		
(Increase) Decrease in receivables	(16,883)	(4,920)
Decrease in prepaid expenses	7	54,632
Decrease in other receivables	(653)	16
Increase (Decrease) in accounts payable and accrued expenses	(52,101)	90,725
Increase in due to city agencies	60,822	100,000
Increase in tenant rental deposits	(558)	28,038
Increase(Decrease) in deferred revenues	(5,427)	17,503
Net cash provided by operating activities	\$ 928,617	\$ 1,029,364

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

INTRODUCTION

The Upper Pontalba Building Restoration Corporation (the Upper Pontalba) was organized on July 14, 1988, by the City of New Orleans for the purpose of renovating and operating the Upper Pontalba Building. The Upper Pontalba Building is a four-story residential and commercial (64 units) space facility located in the French Quarter. The Upper Pontalba's tenants are primarily from Louisiana with approximately 20-25% of the tenant's residing full-time in the building. The Upper Pontalba experiences an occupancy rate of 99%. The Upper Pontalba is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of the City of New Orleans. Prior to the organization of the Upper Pontalba, the operations of the Upper Pontalba Building were managed by the Upper Pontalba Commission.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Upper Pontalba have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments*.

In addition, the Upper Pontalba has also adopted the provisions of Governmental Accounting Standards Board Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement requires that capital contributions to the Upper Pontalba be presented as a change in net position.

B. 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 criterion for including a potential component unit within the reporting entity is financial accountability. This criterion includes:

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. REPORTING ENTITY (continued)

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;
 - 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.

Based on the above criteria, the Upper Pontalba 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.

C. INCOME TAXES

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

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The term measurement focus is used to denote what is being measured and reported in the Upper Pontalba's operating statement. The Upper Pontalba is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Upper Pontalba 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 Upper Pontalba's operating statement. The Upper Pontalba 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 Upper Pontalba has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

The Upper Pontalba follows 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 position, a statement of activities and changes in net position, and a statement of cash flows. It requires the classification of net position 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 position 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 is 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 position component as the unspent proceeds.

Restricted - This component of net position consists of 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 position - This component of net position consists of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

E. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in non-interest-bearing demand deposits. Cash equivalents include short-term, highly liquid U.S. Treasury securities money market funds with original maturities of 90 days or less. Under state law, the Upper Pontalba 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.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. ACCOUNTS RECEIVABLE

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. Management believes that all receivables are collectible at December 31, 2012; therefore, the financial statements do not include estimates for allowance for doubtful accounts.

H. ANNUAL AND SICK LEAVE

All full-time classified employees of the Upper Pontalba hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days of annual leave and an unlimited number of 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.

I. BUDGETS

The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Upper Pontalba. All appropriations lapse at year-end. The amounts budgeted represent cash transactions, which are processed by the City of New Orleans, and are not included in the accompanying financial statements. Budget amounts included in the accompanying budgetary comparison schedule included the original adopted budget. The Upper Pontalba did not amend its original budget during the 2012 fiscal year.

J. CAPITAL IMPROVEMENT PLAN

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

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. In situations involving the construction of certain assets financed with the proceeds from borrowings, the interest is capitalized. For the year ended December 31, 2012, no such interest was capitalized. Depreciation of capital assets is computed as follows:

Description	Method	Estimated Life (years)
Building and improvements	Straight-line	40
Furniture and equipment	Straight-line	3-10
Vehicles	Straight-line	3-5

L. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

2. CASH AND EQUIVALENTS

At December 31, 2012, and 2011, the Upper Pontalba has cash and cash equivalents (book balances) totaling \$1,329,105 and \$3,513,378 as follows:

Non-interest-bearing demand deposits	\$ 1,329,105	\$ 705,820
U.S. Treasury securities money market funds with financial institutions - restricted assets	-	2,807,558
Total	<u>\$ 1,329,105</u>	<u>\$ 3,513,378</u>

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 Upper Pontalba 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. The Upper Pontalba maintains non-interest bearing and low-interest bearing accounts at a local bank.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

2. CASH AND EQUIVALENTS (continued)

At December 31, 2012 and 2011, the Upper Pontalba has \$1,360,372 and \$3,510,372, respectively, in low-interest bearing and non-interest-bearing deposits (collected bank balances). These deposits are partially covered by federal deposit insurance and the remaining portion is fully covered by the pledged securities.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparts, the Upper Pontalba would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. The Upper Pontalba's deposits are not subject to custodial credit risk.

Cash equivalents consisting of U.S. Treasury Securities and money market funds are not subject to custodial credit risk.

3. CAPITAL ASSETS

Capital assets and depreciation as of and for the years ended December 31, 2012 and 2011, follow:

Government Activities	December 31, 2010	Additions/ (Transfers)	December 31, 2011	Additions/ (Transfers)	December 31, 2012
Land	\$ 52,000	\$ -	\$ 52,000	\$ -	\$ 52,000
Buildings and improvements	12,490,615	542,688	13,033,303	887,928	13,921,231
Furniture and equipment	<u>211,176</u>	<u>(8,825)</u>	<u>202,351</u>	<u>7,488</u>	<u>209,839</u>
Sub-total	12,753,791	533,863	13,287,654	895,416	14,183,070
Less accumulated depreciation:	<u>5,487,211</u>	<u>317,178</u>	<u>5,804,389</u>	<u>329,409</u>	<u>6,133,798</u>
Capital assets, net	<u>\$ 7,266,580</u>	<u>\$ 216,685</u>	<u>\$ 7,483,265</u>	<u>\$ 566,007</u>	<u>\$ 8,049,272</u>
Depreciation Expense		<u>\$ 317,178</u>			<u>\$ 329,410</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

4. RENTALS UNDER OPERATING LEASES

The Upper Pontalba leases space to both commercial and residential tenants. These leases are for varying periods with majority of the residential lease terms for two (2) years and commercial leases for five (5) years. Commercial tenants are required to pay a percentage rent based on sales in excess of stipulated amounts. Many of the leases remain on a month-to-month basis; however, the Upper Pontalba has agreed to extend some of their operating leases through the year 2020.

Minimum future rentals to be received under the various operating leases as of December 31, 2012 for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 1,419,880
2014	541,683
2015	416,128
2016	275,571
2017	<u>137,608</u>
Total	<u>\$ 2,790,870</u>

5. PENSION PLAN

During 1997, clerical and administrative employees of the Upper Pontalba, who were not already receiving benefits from any of the other retirement plans sponsored by the City of New Orleans, became members of the Employees' Retirement System of the City of New Orleans (the Retirement System). The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of a board of trustee. The Retirement System is a combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The general administration has the responsibility for the proper operation of the Retirement System and for making effective the Retirement System. The Employees' Retirement System of the City of New Orleans issues a publicly available financial report that includes financial statements and required supplementary information.

For the fiscal year, employees participating in the Retirement System are required to contribute 6% of their salary and the employer is required to contribute 14.9%. Employer contributions to the Retirement System are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years beginning July 1, 1974, using the level percentage of payroll method. The contribution requirements of Retirement System members and the Upper Pontalba are established and may be amended by the Retirement System's board of trustees.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

5. PENSION PLAN (continued)

Employees with thirty years of service, or who attain age 60 with ten years of service, or age 65, irrespective of length of service, are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employee's accumulated contribution, plus an annual pension, which, together with the annuity, provides a total retirement allowance equal to 2.5% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension amounts are reduced for service retirement prior to age 62. Average compensation is defined as average annual earned compensation for the highest thirty-six successive months of service, less \$1,200. Mandatory retirement age is 70.

Disability Benefits

Disability benefits are awarded to active members with 10 or more years of creditable service if a physician nominated by the board certifies that the member is totally incapacitated and that such incapacitation is likely to be permanent. The member receives an annuity, which is the actuarial equivalent to the employee's accumulated contribution, plus an annual pension, which, together with the annuity, shall be 75% of the service allowance that would have been payable upon service retirement at age 65, had the member continued in service to the age of 65. Such allowance is to be computed on the average compensation, plus the sum \$ 1,200 provided, however, that the minimum annual retirement allowance will be \$300 per year.

6. TRANSACTIONS WITH RELATED PARTIES

French Market Corporation

The Upper Pontalba is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of the City of New Orleans. The French Market Corporation is the management company for the Upper Pontalba; as a result, they maintain their payroll, through the city, and receive an annual fee for their services. As of December 31, 2012, the Upper Pontalba had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurred Costs	Fees	Accounts Payable
Salary and Related Expenses	\$ 233,156	\$ -	\$ -
Management Fee	-	50,000	-
Totals	<u>\$ 233,156</u>	<u>\$ 50,000</u>	<u>\$ -</u>

As of December 31, 2011, the Upper Pontalba had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurred Costs	Fees	Accounts Payable
Salary and Related Expenses	\$ 188,095	\$ -	\$ (12,500)
Management Fee	-	50,000	12,500
Totals	<u>\$ 188,095</u>	<u>\$ 50,000</u>	<u>\$ -</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

7. RISK MANAGEMENT

The Upper Pontalba is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which the Upper Pontalba carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

8. DISTRIBUTABLE NET PROFITS

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

9. NET POSITION

Net Position is restricted for the following reasons:

Invested in capital assets, net of related debt:

	2012	2011
Capital Assets	\$ 14,183,070	\$ 13,287,654
Less:		
Accumulated Depreciation	6,133,798	5,804,389
Debt related to Capital Assets	-	2,121,832
Invested in capital assets, net of related debt	\$ 8,049,272	\$ 5,361,433

Restricted for revenue bond service:

	2012	2011
Debt Service Reserve Fund	\$ -	\$ 656,388
Operations Reserve Fund	-	847,386
Replacement and Improvement Fund	-	1,303,784
Restricted for revenue bond service	\$ -	\$ 2,807,558

10. CONTINGENCIES

The Upper Pontalba is a defendant in various lawsuits filed for alleged breaches and unspecified damages. Outside counsels for the The Upper Pontalba have advised that at this stage in the proceedings they cannot offer opinions as to the probable outcomes of these lawsuits. The Upper Pontalba believes the suits are without merit and is vigorously defending its positions.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

11. SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of the Upper Pontalba Building Restoration Corporation through May 30, 2013, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual GAAP BASIS	Variance With Final Budget Positive (Negative)
Total Operating Expenditures	\$ 893,016	\$ 980,025	\$ (87,009)
Other Expenditures			
Debt Service	542,000	2,126,191	(1,584,191)
Provisions for Reserves	<u>428,881</u>	<u>895,416</u>	<u>(466,535)</u>
Total Expenditures	<u>\$ 1,863,897</u>	<u>\$ 4,001,632</u>	<u>\$ (2,137,735)</u>
Revenues	<u>\$ 1,863,897</u>	<u>\$ 1,826,673</u>	<u>\$ 37,224</u>
Total Revenues	<u>\$ 1,863,897</u>	<u>\$ 1,826,673</u>	<u>\$ 37,224</u>

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

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

Upper Pontalba Building Restoration Corporation
(A Proprietary Component Unit
of the City of New Orleans)
New Orleans, Louisiana

We have audited, in accordance with the 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, the financial statements of Upper Pontalba Building Restoration Corporation (the Upper Pontalba) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Upper Pontalba's basic financial statements, and have issued our report thereon dated May 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Pontalba's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Pontalba's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Pontalba's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paillet, Meunier and LeBlanc, LLP

New Orleans, Louisiana
May 30, 2013

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I –SUMMARY OF AUDITOR’S RESULTS

- A. Control deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements: No. Material weaknesses: No.
- B. Noncompliance which is material to the financial statements: No
- C. Control deficiencies 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 510(a) of OMB Circular A-13: 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.
- I. A management letter was issued: No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.